



# Susan Montee, JD, CPA

## MISSOURI STATE AUDITOR



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### Fiscal Notes Prepared by the Missouri State Auditor's Office in 2009

<u>Fiscal Note Number</u>	<u>Date Received</u>	<u>Fiscal Note Description</u>	<u>Date Submitted to Secretary of State</u>
09-01	01/09/09	Proposed Constitutional Initiative Petition - Save Our Secret Ballot Initiative (Rouchka)	Rejected by Sec of State
09-02	01/14/09	Proposal Related to the City of Riverview (Brown)	Rejected by Sec of State
09-03	01/14/09	Proposed Constitutional Amendment - Article X (Basham)	Withdrawn by Petitioner
09-04	01/26/09	Proposed Constitutional Amendment - Article X (Basham)	Rejected by Sec of State
09-05	02/04/09	Proposed Constitutional Amendment - Article X (Kriegshauser)	Withdrawn by Petitioner
09-06	02/10/09	<a href="#">Proposed Constitutional Amendment - Article X (Kriegshauser)</a>	03/10/09
09-07	02/18/09	<a href="#">Proposed Constitutional Amendment - Article I, Section 35 (Rouchka)</a>	03/24/09
09-08	02/18/09	Proposed Constitutional Amendment - Article X (Basham)	Rejected by Sec of State
09-09	02/20/09	<a href="#">Proposed Constitutional Amendment - Article III, Section 38 (Jones)</a>	03/24/09
09-10	02/20/09	<a href="#">Proposed Constitutional Amendment - Article III, Section 38 (Jones)</a>	03/24/09
09-11	02/20/09	<a href="#">Proposed Constitutional Amendment - Article III, Section 38 (Jones)</a>	03/24/09
09-12	03/11/09	Proposed Constitutional Amendment - Article X (Basham)	Withdrawn by Petitioner
09-13	03/24/09	Proposed Constitutional Amendment - Article X (Basham)	Withdrawn by Petitioner
09-14	04/06/09	Proposed Constitutional Amendment - Article X (Basham)	Rejected by Sec of State
09-15	04/28/09	Proposed Constitutional Amendment - Article X (Basham)	Rejected by Sec of State

09-16	05/26/09	<a href="#">Proposed Constitutional Amendment - Article X (Basham)</a>	06/25/09
09-17	06/01/09	<a href="#">House Joint Resolution 15</a>	06/26/09
09-18	06/01/09	<a href="#">Senate Joint Resolution 5</a>	06/26/09
09-19	06/09/09	Proposal Related to St. Louis County Boundary (Brown)	Rejected by Sec of State
09-20	06/16/09	Proposed Constitutional Amendment - Article III (Jones)	Rejected by Sec of State
09-21	06/16/09	Proposed Constitutional Amendment - Article III (Jones)	Withdrawn by Petitioner
09-22	06/16/09	Proposed Constitutional Amendment - Article III (Jones)	Rejected by Sec of State
09-23	06/22/09	Proposal Related to Press Passes (Brown)	Rejected by Sec of State
09-24	06/22/09	Proposal Related to Metro Security License Program (Brown)	Rejected by Sec of State
09-25	06/23/09	Proposal Related to Office of Sheriff and Etc (Brown)	Rejected by Sec of State
09-26	06/24/09	Proposal Related to St. Louis County Boundary (Brown)	Rejected by Sec of State
09-27	06/25/09	<a href="#">Proposed Constitutional Amendment - Article X (Hatfield)</a>	07/27/09
09-28	06/25/09	<a href="#">Proposed Constitutional Amendment - Article X (Hatfield)</a>	07/27/09
09-29	06/29/09	Proposed Constitutional Amendment - Article I (Asher)	Withdrawn by Petitioner
09-30	06/29/09	Proposed Constitutional Amendment - Article I (Asher)	Withdrawn by Petitioner
09-31	07/01/09	<a href="#">Proposed Constitutional Amendment - Article X (Hatfield)</a>	08/04/09
09-32	07/06/09	Proposal Related to St. Louis County Boundary (Brown)	Rejected by Sec of State
09-33	07/07/09	Proposal Related to Press Passes (Brown)	Rejected by Sec of State
09-34	07/07/09	<a href="#">Proposed Constitutional Amendment - Article III (Jones)</a>	08/05/09
09-35	07/07/09	<a href="#">Proposed Constitutional Amendment - Article III (Jones)</a>	08/05/09
09-36	07/07/09	<a href="#">Proposed Constitutional Amendment - Article III (Jones)</a>	08/05/09
09-37	07/07/09	Proposed Constitutional Amendment - Article III (Jones)	Rejected by Sec of State
09-38	07/07/09	<a href="#">Proposed Constitutional Amendment - Article III (Jones)</a>	08/05/09
09-39	07/07/09	Proposed Constitutional Amendment - Article I (Taylor)	Withdrawn by Petitioner
09-40	07/07/09	<a href="#">Proposed Constitutional Amendment - Article I (Taylor)</a>	08/05/09
09-41	07/09/09	<a href="#">Proposed Constitutional Amendment - Article I (Asher)</a>	08/05/09
09-42	07/09/09	Proposal Related to St. Louis County Boundary (Brown)	Rejected by Sec of State
09-43	07/14/09	Proposal Related to St. Louis County Boundary (Brown)	Rejected by Sec of State
09-44	07/14/09	Proposed Constitutional Amendment - Article V (Harris)	Withdrawn by Petitioner

09-45	07/30/09	Proposal Related to the Charter of St. Louis County (Brown)	Rejected by Sec of State
09-46	08/04/09	<a href="#">Proposed Constitutional Amendment - Article V (Harris)</a>	09/02/09
09-47	08/18/09	Proposal Related to St. Louis County Law Enforcement (Brown)	Rejected by Sec of State
09-48	08/24/09	Proposal Related to Soil and Water Conservation (Brown)	Rejected by Sec of State
09-49	08/31/09	<a href="#">Proposal Related to Chapter 115, RSMo (Sapp)</a>	09/28/09
09-50	09/08/09	Proposed Constitutional Amendment - Article III (Jones)	Rejected by Sec of State
09-51	09/08/09	<a href="#">Proposed Constitutional Amendment - Article I (Taylor)</a>	10/06/09
09-52	09/14/09	<a href="#">Proposed Constitutional Amendment - Article III (Jones)</a>	10/13/09
09-53	09/18/09	<a href="#">Proposed Constitutional Amendment - Article I (Thompson)</a>	10/15/09
09-54	09/23/09	Proposal Related to Chapter 257.040, RSMo (Brown)	Rejected by Sec of State
09-55	09/30/09	Proposal Related to the Formation of Public Water Supply District (Brown)	Rejected by Sec of State
09-56	10/08/09	<a href="#">Proposed Constitutional Amendment - Article V, Section 25 (Harris)</a>	11/09/09
09-57	10/27/09	Proposal Related to the Formation of a Watershed District (Brown)	Rejected by Sec of State
09-58	11/02/09	Proposal Related to the Formation of a Water Conservancy District (Brown)	Rejected by Sec of State
09-59	11/02/09	Proposal Related to the Division of St. Louis County and the Formation of a New Castlepoint County (Brown)	Rejected by Sec of State
09-60	11/23/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 1, (Ellinger)</a>	12/22/09
09-61	11/23/09	Proposal Related to Chapter 92, RSMo, version 2, (Ellinger)	Withdrawn by Petitioner
09-62	11/23/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 3, (Ellinger)</a>	12/22/09
09-63	11/23/09	Proposal Related to Chapter 92, RSMo, version 4, (Ellinger)	Withdrawn by Petitioner
09-64	11/23/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 5, (Ellinger)</a>	12/22/09
09-65	11/23/09	Proposal Related to Chapter 92, RSMo, version 6, (Ellinger)	Withdrawn by Petitioner
09-66	11/23/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 7, (Ellinger)</a>	12/22/09
09-67	11/23/09	Proposal Related to Chapter 92, RSMo, version 8, (Ellinger)	Withdrawn by Petitioner
09-68	11/23/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 9, (Ellinger)</a>	12/22/09
09-69	11/23/09	Proposal Related to Chapter 92, RSMo, version 10, (Ellinger)	Withdrawn by Petitioner
09-70	11/25/09	<a href="#">Proposal Related to Chapter 273, RSMo, version 1, (Schmitz)</a>	12/23/09
09-71	11/25/09	<a href="#">Proposal Related to Chapter 273, RSMo, version 2, (Schmitz)</a>	12/23/09
09-72	12/01/09	<a href="#">Proposal Related to Chapter 115, RSMo, version 2, (Sapp)</a>	12/30/09
09-73	12/07/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 2a, (Ellinger)</a>	12/30/09
09-74	12/07/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 4a, (Ellinger)</a>	12/30/09
09-75	12/07/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 6a, (Ellinger)</a>	12/30/09

09-76	12/07/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 8a, (Ellinger)</a>	12/30/09
09-77	12/07/09	<a href="#">Proposal Related to Chapter 92, RSMo, version 10a, (Ellinger)</a>	12/30/09



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**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-06)**

**Subject**

Initiative petition from Herman Kriegshauser regarding a proposed constitutional amendment to Article X. (Received February 10, 2009)

**Date**

March 2, 2009

**Description**

This proposal would amend Article X, Section 25 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, the **State Tax Commission**, Clay County, Greene County, Jackson County, St. Charles County, St. Louis County, the City of Jefferson, the City of Kansas City, the City of Kirkwood, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community College, the University of Missouri, St. Louis Community College.

## **Assumptions**

Officials from the **Attorney General's Office** indicated the proposal creates no fiscal impact. However, they assumed that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Higher Education** indicated no direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative petition.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** stated the proposal will have no fiscal impact on their department.

The **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

The **Department of Corrections** indicated no impact on their agency.

The **Department of Labor and Industrial Relations** stated this petition has no fiscal impact on their department.

The **Department of Revenue** indicated the proposal would have a fiscal impact on their department. They indicated that this proposal would require one Revenue Processing Technician I per 4,000 credits claimed and one Revenue Processing Technician I to handle additional redemptions, verification of returns and correspondence related to the new credit for a total cost of \$77,228 to general revenue in FY 2010, \$82,171 in FY 2011 and \$84,638 in FY 2012.

In addition, the department indicated this proposal would require modifications to the MINITS (Missouri Individual Income Tax System), CAFÉ (Corporate and Franchise Entry System) and COINS (Corporation Income Tax System) systems, and to the individual and corporate tax forms. Further, the department estimates the information technology portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. The Office of Administration Information Technology (ITSD DOR) estimates that this proposal could be implemented utilizing 3 existing CIT III for 1 month for system modifications to MINITS and 3 CIT III for 3 months for system modifications to COINS, Café and E-file. The estimated cost is \$53,292.

The Department of Revenue also made the following recommendations regarding this proposal:

- It is recommended to clarify whether the credit can be refunded, transferred, sold, and carried forward or carried back.
- Typically, tax credits do not apply to withholding tax. It is recommended to add the language which states, "excluding withholding taxes under sections 143.191 through 143.265, RSMo".
- It is recommended to include an effective date for the credit.
- It is recommended to clarify if individuals or corporations would qualify for a double deduction from the same contributions. As currently written, if individuals claim a charitable donation on their federal schedule A, it appears they could also take a credit equal to 50% of the donation plus the item deduction. In addition, corporations could get a double benefit from the contribution if they take the contribution as a deduction on their federal return and then again as a tax credit.

The **Department of Public Safety** indicated there is no fiscal impact on their department.

The **Department of Social Services** indicated there is no cost to their department as a result of placing this measure on the ballot. However, they further indicated that adoption of this amendment would undoubtedly result in a loss of income tax revenue to the state. The ultimate affect, if any, on the department's budget cannot be determined because it would depend on the appropriations process.

Officials from the **Governor's Office** indicated no added costs to their office if this amendment is approved by voters.

Officials from the **Office of Administration** indicated passage of this proposal will annually reduce general and total state revenues \$5,532M beginning in FY 2011, which is likely 65-70% of net general revenue collections.

Their estimate is based on the following assumptions and calculations: The proposed amendment creates a tax credit against state income taxes for individual and corporate contributors to specified not-for-profit associations, in addition to all current deductions allowable.

The tax credit is defined as a "50% state income tax credit against state income taxes". Budget & Planning (BAP) assumes this means the value of the credit equals 50% of the value of the donation.<sup>1</sup>

Further, since there is no language addressing refundability, transferability, or carry-forward issues, BAP assumes the proposed credit would be fully refundable; i.e., if the value of the credit exceeds the taxpayer's liability in the tax year in question, the taxpayer would receive the excess amount as a refund from General Revenue (GR).

Also, BAP notes there is no effective date listed in the proposal. BAP assumes this proposal could be approved by voters in November 2010, becoming effective

immediately upon certification. Thus, the first year of fiscal impact would be Tax Year 2010, or Fiscal Year 2011.

#### Individual Income Tax

BAP's response is based on data from the IRS Statistics of Income for Missouri, Tax Year 2006 (the most recent available).<sup>2</sup> In that year 2,720,684 total tax returns were filed; 864,135 taxpayers itemized deductions, and 708,661 of taxpayers who itemized reported contributions (82%). These contributions totaled \$2,893M, for an average of \$4,082.

BAP assumes that 82% of all filers made contributions at the average rate, equaling \$9,107M of contributions in 2006. The average rate of growth in contributions from 2001 to 2006 was 4.7% annually; assuming this growth rate, BAP projects \$10,944M of contributions in tax year 2010. At 50%, this proposal may reduce general and total state revenues by \$5,472M annually.

#### Corporate Income Tax

BAP's response is based on data from the IRS Statistics of Income for Tax Year 2005 (the most recent available).<sup>3</sup> In that year, US corporations made \$15,766M of contributions. BAP assumes 0.6% of those were made by Missouri taxpayers,<sup>4</sup> or \$95M. Assuming a 4.7% growth rate, BAP estimates \$120M of contributions in tax year 2010. At 50%, this proposal may reduce general and total state revenues by \$60M annually.

1 Alternatively, the language could be interpreted to mean that for any charitable donation, state income tax liability is reduced 50%.

2 <http://www.irs.gov/pub/irs-soi/06in26mo.xls>

3 <http://www.irs.gov/pub/irs-soi/05co16ccr.xls>

4 Based on the ratio of Missouri tax to the US Total, Morgan Quitno State Rankings 2007, p.324.

Officials from the **House of Representatives** indicated no fiscal impact to the operations budget of their organization as a result of this petition.

The **Department of Conservation** indicated no fiscal impact is expected to their agency as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative petition should not have a fiscal impact on the judiciary.

The **Department of Transportation** anticipates no fiscal impact from this petition.

The **Missouri Senate** indicated this initiative appears to have no fiscal impact on their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed

by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this proposal will not have any significant impact on their office.

Officials from the **State Tax Commission** indicated this petition will not impact their agency.

Officials from the **City of Kansas City** indicated this initiative will have no fiscal impact on their entity.

Officials from the **Rockwood R-VI School District** indicated that while this petition would help school districts with an educational foundation, giving everyone an unlimited credit for 50% of all donations would likely dramatically lower state general revenues and could therefore dramatically lower state funding of Rockwood and all other districts in the state.

Officials from **Linn State Technical College** indicated that if this petition results in a drastic reduction in general revenue for the State of Missouri, there may be a fiscal impact on their organization as a majority of their state appropriations come from general revenue funds.

**Metropolitan Community College** indicated this proposal would have no direct fiscal impact on their organization.

The **University of Missouri** indicated this petition would have a significant fiscal impact on their organization although the amount is not readily quantifiable. If a 50% tax credit against Missouri state income taxes due is provided to individual and corporate contributors and donors, there would be a significant reduction in tax revenues/general revenues to the state that would negatively impact the amount of state funding received by the University of Missouri from the state's general revenue.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **State Treasurer's Office**, **Clay County**, **Greene County**, **Jackson County**, **St. Charles County**, **St. Louis County**, the **City of Jefferson**, the **City of Kirkwood**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **St. Louis Community College**.

### **Fiscal Note Summary**

The cost to state and local governmental entities is estimated to exceed \$5 billion annually.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-07)**

**Subject**

Initiative petition from David Rouchka regarding a proposed constitutional amendment to Article I. (Received February 18, 2009)

**Date**

March 10, 2009

**Description**

This proposal would amend Article I, Section 35 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, **Boone County**, **Clay County**, **Greene County**, **St. Charles County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, the **University of Missouri**, **St. Louis Community College**.

## **Assumptions**

Officials from the **Attorney General's Office** assume any costs associated with the implementation of this proposal can be absorbed with existing resources.

The **Department of Economic Development** indicated no impact on their department.

Officials from the **Department of Higher Education** indicated no direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative petition.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** stated the proposal will have no fiscal impact on their department.

The **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

The **Department of Corrections** indicated no impact on their agency.

The **Department of Labor and Industrial Relations** stated this petition has no fiscal impact on their department.

The **Department of Revenue** indicated the proposal will not have a fiscal impact on their department.

The **Department of Public Safety** indicated there is no fiscal impact on their department.

The **Department of Social Services** indicated there is no fiscal impact on their department.

Officials from the **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

Officials from the **Office of Administration** indicated this proposal will have no fiscal impact on their office.

Officials from the **Missouri House of Representatives** indicated this proposal would have no fiscal impact to the operations budget of their organization.

The **Department of Conservation** indicated no fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative petition should not have a fiscal impact on the judiciary.

The **Missouri Senate** indicated this initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this proposal will not have any significant impact on their office.

The **State Treasurer's Office** indicated no fiscal impact for their office related to this petition.

Officials from the **City of Jefferson** indicated a fiscal impact of approximately \$300 per year for one staff member to monitor the election process for two elections annually. The State Auditor's Office assumes that these costs could be addressed with existing resources.

Officials from the **City of Kansas City** indicated this initiative will have no fiscal impact on their entity.

Officials from the **Rockwood R-VI School District** indicated they do not believe this proposal would cost them any money. The savings, if any, are indeterminate.

Officials from the **Linn State Technical College** indicated there appears to be no fiscal impact to their organization.

**Metropolitan Community College** indicated this proposal would have no fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Transportation**, Boone County, Clay County, Greene County, St. Charles County, the City of St. Joseph, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, the University of Missouri, St. Louis Community College.

#### **Fiscal Note Summary**

It is estimated this proposal will have no costs or savings to state or local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-09)**

**Subject**

Initiative petition from Todd Jones regarding a proposed amendment to Article III of the Missouri Constitution. (Received February 20, 2009)

**Date**

March 12, 2009

**Description**

This proposal would amend Article III, Section 38 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Kansas City, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, the University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

**Senator Joan Bray** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** indicated that the implementation of this proposal would not directly affect their office. However, they assumed that because this proposal has the potential to be the subject of state and federal litigation, potential costs are unknown.

The **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that the passage of this constitutional amendment could have significant impact on small technology business growth and development as it could create the perception that Missouri is hostile to science and technology.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

The department also indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Higher Education** indicated no direct, foreseeable fiscal impact on their department resulting from this proposal.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative petition.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated since the department does not provide abortion services, the implementation of this initiative will have no fiscal impact to their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

The **Department of Corrections** indicated no impact on their agency as a result of this proposal.

The **Department of Revenue** indicated the petition will not have a fiscal impact on the department.

The **Department of Public Safety** indicated there is no fiscal impact for their department.

The **Department of Social Services** officials assume there will be no change to the MO HealthNet program and no fiscal impact. In accordance with Public Law 105-798 (1997) relating to abortions, Medicaid payment is only available for abortions performed when the life of the woman would be endangered if the fetus were carried to term or the pregnancy is the result of rape or incest. The United States District Court case of the Department of Social Services v. the Secretary of Health and Human Services states "if the State of Missouri chooses to accept federal funds pursuant to Title XIX, it must provide funding for abortions terminating pregnancies resulting from rape and incest as well as those necessary to save the life of the pregnant woman."

Officials from the **Office of Administration** indicated this proposal will have no fiscal impact on their agency.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no fiscal impact would be expected to their department as a result of this proposal.

Officials from the **Missouri Senate** indicated that the petition appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35

million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any significant impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

The **State Treasurer's Office** indicated no fiscal impact on their office as related to this petition.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of Kansas City** indicated this petition will have no fiscal impact on their city.

Officials from **Rockwood R-VI School District** indicated they do not expend money for any such services (and they doubt that other districts do either) so there would be no cost or savings to implement this initiative.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

Officials from the **Metropolitan Community College** indicated no direct fiscal impact on their organization.

The **University of Missouri** indicated this amendment would have significant, negative chilling effects on education, research, and economic development across the University of Missouri (UM) System – at all four campuses and their academic health centers.

The proposed amendment, if passed, is projected to have a profound impact on the university's ability to grow and sustain its research operations and meet and exceed its economic development goals. Critical to fulfilling the University of Missouri's mission as the state's public research university is the ability to recruit and retain top faculty researchers who will contribute to the research enterprise to the ultimate benefit of the state's economy. The perception that the state has a hostile attitude toward research, and thus to academic freedom, can have a dampening effect on recruitment and retention of faculty. This amendment would have a deleterious effect on faculty perceptions and a negative impact on the university's ability to conduct cutting edge research that will extend beyond the life sciences.

Competition nationwide to attract and retain research faculty is exceedingly high. Faculty members consider many factors when deciding whether to stay in current positions or to accept offers from other states, including: supportive environment for research, level of state and private support, institutional reputation, and availability of

state-of-the-art research facilities. A study conducted in 2006 by the National Bureau of Economic Research demonstrated the importance of attracting and retaining “research stars”. These research stars in turn attracted other research stars that would concentrate in the area - increasing the number of start-up firms and economic activity in the area. The stars and the surrounding start-up firms would generate additional patents and invention disclosures – spinning off economic development with resulting growth in jobs and transforming economic activity in the area. Thus this concentrated effort results in the “rich getting richer” by virtue of the interactive effects of new ideas generating other new ideas. The proposed amendment will seriously impact the university’s ability to attract and retain the “stars.”

In FY 2007, the University of Missouri generated \$240 million in research expenditures from funding to faculty researchers provided by federal and private sources. The funding primarily provides for the salaries of the researchers and their research staffs, supplies and equipment, and the administrative infrastructure that supports research. If one assumes that only half of the university’s research funding, or \$120 million, is in jeopardy, the direct financial loss to the university would be significant. This loss would come from top researchers leaving the university to go to institutions where there is an open and supportive climate for research and academic freedom. The economic impact on the state would be even greater because recent economic analysis\* indicates that every \$1.00 in research funding brought into the state generates almost \$2.00 in economic output and every \$1.0 million in research funding supports 17 jobs thus reducing economic output by \$240 million and impacting approximately 2000 jobs.

This amendment could also have an impact on the university’s ability to support and grow commercialization of new technologies and the formation of new companies that result from the research. The university has a goal to increase revenues from patents and licenses from \$2.3 million in FY 2006 to approximately \$10 million in FY 2009. This amendment would jeopardize this growth in revenues that would be used by the university to reinvest in research and technology transfer operations and in economic development ventures that benefit the entire state such as the Discovery Ridge research park and the new life sciences incubator in Columbia and the Missouri University of Science and Technology Innovation Park in Rolla. A recent MERIC economic impact analysis on Discovery Ridge indicated that continued investment in this project would yield an economic impact of \$33 million on the state’s economy.

Finally, this amendment, if passed, could have a deleterious affect on the university’s ability to continue to attract leading medical researchers and physicians to its medical schools and hospitals in Columbia and Kansas City. This would compromise the ability of the university’s academic health centers to sustain high quality health care for citizens in the state and to continue to develop cutting edge treatments for the most life threatening medical conditions. This could result in the loss of patients to their hospitals and clinics as citizens of the state seek health care in other states. The fiscal impact of this is difficult to quantify.

\*Kaufman, J., Kalaitzandonakes, N, and Johnson, T. "The Economic Role of the University of Missouri in the State." March 18, 2008.

Officials from the **University of Central Missouri** indicated no costs or savings on their organization as a result of this initiative petition.

Officials from **Harris-Stowe State University** indicated this initiative petition has no fiscal impact on their organization.

Officials from **Missouri State University** indicated their organization does not spend any funds in this area, so this petition should have no fiscal impact on their university.

Officials from **Missouri Southern State University** indicated there would be no fiscal impact to their organization for this initiative petition.

Officials from **Missouri Western State University** indicated there would be no fiscal impact.

Officials from **Northwest Missouri State University** determined this measure would have no estimated cost or savings impact on their organization.

**Senator Joan Bray** provided comments in opposition to this initiative petition under three categories: loss of Medicaid funds, loss of Title X funds, and cost of litigation. Below is a summary of her comments.

Senator Bray indicated that the proposed constitutional amendment jeopardizes Missouri's ability to claim or qualify for federal Medicaid funds. Under the Hyde amendment, a state that participates in the federal Medicaid program must provide coverage for beneficiaries' abortions in cases of rape, incest, and where a woman's life is endangered by her pregnancy. However, the proposed amendment, which contains no exception for rape, incest or life-endangerment, would bar Missouri from complying with this federal requirement. In fiscal year 2007, Missouri received approximately \$2.63 billion in federal Medicaid funds for MO HealthNet services. The proposed amendment puts the State of Missouri in the untenable position of having to violate its own Constitution or risk losing its federal Medicaid funds due to its non-compliance with federal requirements. When Medicaid expenses beyond MO HealthNet and administrative costs are factored in, the federal portion of Medicaid funds that would be jeopardized by this initiative are even larger than the \$2.63 billion for FY 2008 and \$2.9 billion for FY 2009.

Senator Bray further indicated the proposed amendment also jeopardizes Missouri's ability to participate in the federal program that subsidizes family planning services for low-income women, 42 U.S.C. Section 300 et seq (Title X) through its county health departments, because the proposed amendment imposes obligations on these county health departments that are inconsistent with the federal requirements for participation in the Title X program. In order to participate in the Title X program, health care providers

must provide women who are determined to be pregnant with non-directive counseling about all of their options, including referrals for abortions upon request. The proposed amendment would bar Missouri county health departments from complying with this federal requirement, because it explicitly defines "abortion services" (as defined in Section 196.1127, RSMo) to include referrals for abortions. Thus, because Missouri county health departments presumably expend public funds in any services they provide, they would be unable to continue providing Title X services under the proposed amendment. In FY 2007 Missouri county health departments received approximately \$300,000 in Title X funds to provide family planning services. If the county health departments are forced to stop participating in the Title X program because they cannot simultaneously obey the amended constitution and comply with requirements of Title X, it is likely that these Title X funds will be lost to Missouri altogether. In addition to the loss of approximately \$600,000 over two fiscal years, the loss of services to these patients, in turn, would have additional fiscal consequences for the state stemming from a likely increase in unplanned pregnancies.

Finally, given the conflict between the requirements of the proposed amendment and those of the federal Medicaid program, Senator Bray indicated that adopting the proposed amendment would undoubtedly lead to litigation. The costs of such litigation, which may include attorneys fees awarded against the state, constitute an additional fiscal impact.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Governor's Office**, the **Office of State Courts Administrator**, the **Department of Transportation**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, St. Louis Community College, Lincoln University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

### **Fiscal Note Summary**

This proposal could jeopardize federal grants to state and local governmental entities for medical assistance programs. The total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-10)**

**Subject**

Initiative petition from Todd Jones regarding a proposed amendment to Article III of the Missouri Constitution. (Received February 20, 2009)

**Date**

March 12, 2009

**Description**

This proposal would amend Article III, Section 38 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Kansas City, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, the University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

**Brad Ketcher of the Ketcher Law Firm, LLC**, provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** indicated that the implementation of this proposal would not directly affect their office. However, they assumed that because this proposal has the potential to be the subject of state and federal litigation, potential costs are unknown.

The **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that the passage of this constitutional amendment could have significant impact on small technology business growth and development as it could create the perception that Missouri is hostile to science and technology.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

It is unclear to the department whether the definition of "human cloning" in the proposed amendment is intended to be the same that contained in Article III, Section 38(d). The department indicated this could foster litigation and an uncertain environment. The department further indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Higher Education** indicated no direct, foreseeable fiscal impact on their department resulting from this proposal.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative petition.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated since the department does not perform human cloning, the implementation of this initiative will have no fiscal impact to their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

The **Department of Corrections** indicated no impact on their agency as a result of this proposal.

The **Department of Revenue** indicated the petition will not have a fiscal impact on the department.

The **Department of Public Safety** indicated there is no fiscal impact for their department.

The **Department of Social Services** indicated there is no fiscal impact to the department because the department does not now, nor plan to, expend funds for human cloning.

Officials from the **Office of Administration** indicated this proposal will have no fiscal impact on their agency.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no fiscal impact would be expected to their department as a result of this proposal.

Officials from the **Missouri Senate** indicated that the petition appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any significant impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

The **State Treasurer's Office** indicated no fiscal impact on their office as related to this petition.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of Kansas City** indicated this petition will have a negative fiscal impact on the city. They estimate this initiative would cause a loss of revenue for the city of approximately \$270,000 in FY 2010, approximately \$320,000 in FY 2011 and approximately \$380,000 in FY 2012. Such loss of revenue would occur because of the anticipated negative effect this legislation would have on the Stowers Institute for Medical Research, which is located in Kansas City and conducts biomedical research, and the consequent loss of earnings tax to Kansas City resulting from staff reductions at the Stowers Institute.

The **City of St. Louis** indicated that the fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban “human cloning.” In addition to what is commonly thought of as “human cloning”—a practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or “SCNT,” a procedure for medical research or for treating disease that involves replicating (or “cloning”) a patient’s own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as “therapeutic cloning” because the cells are copied for the purpose of providing or developing a therapy for a patient’s disease or injury.

The economy of the City of St. Louis is closely tied to the city’s image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children’s Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the city. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the city will lose \$1.3 million in revenue each year—\$50,000 x 5,300 x 50% x .01 city earnings tax.

As the following table shows, the city's hospitals alone account for nearly 19,000 jobs in the city, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the city's 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the city's colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of their hospitals and the city's ability to attract and retain talent and employers from any industry. Quality of life, in particular quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBS	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
<b>City of St. Louis Totals:</b>	<b>8,000</b>	<b>221,000</b>	<b>10,442,455,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A 10% loss of jobs in the three categories shown in the above table will cost the city more than \$10 million each year in direct loss of the 1% city earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the city growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the city, given the city's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the city would cost the city an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, they therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the city's general revenue budget—and countless millions more in indirect revenue. According to officials, this is a loss that the city cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, “If Missouri does not choose its ‘fork in the road’ consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices.”

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit

the scientists necessary to carry out the Institute's work. If the Institute expands in another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not "human cloning." Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America's most respected doctors and scientists.

America's most respected doctors and scientists believe that "reproductive cloning" should be banned, but that "therapeutic cloning" should be encouraged because it holds great medical promise to lead to cures for debilitating diseases—this is also the current philosophy espoused in the Missouri Constitution. In 2002, forty Nobel Prize Winners sent a letter to members of the U.S. Senate making this important distinction. Nobel Prize-winning Scientist Paul Berg has stated that "cloning humans and 'therapeutic cloning' are fundamentally different. The cloning of a human being should be prohibited. Therapeutic cloning, on the other hand, is meant to produce stem cells, not babies." What the proposed amendment would ban is the same procedure that stem cell research opponents have tried unsuccessfully to ban in the legislature for the past five years. The passage of the "Stem Cell Amendment" in late 2006 ended the legislative battle. That battle has now moved to the voting booth with the proposal for this amendment.

In an effort to help quantify the economic impact of a new effort to undo Missouri's constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the city's bread and butter.

- 55% said the new amendment would make them less likely to keep their company in Missouri
- 45% said it would have no effect
- 0% said it would make them more likely to remain in Missouri
- 73% said the new amendment would make it more difficult to recruit scientists and other talent to Missouri

- 18% said it would have no effect
- 9% said it would make it easier to recruit scientists and other talent to Missouri
- 73% said the new amendment would make it more difficult to attract investors and capital to their company in Missouri
- 27% said it would have no effect
- 0% said it would make it easier to attract investors
- 73% said the new amendment would increase the pressure to relocate their company to another state
- 27% said it would have no effect
- 0% said it would decrease the pressure to relocate
- 73% said the new amendment would increase the likelihood that existing companies would avoid Missouri when considering whether to locate here
- 18% said it would help attract companies to Missouri
- 9% said it would have no effect
- 82% said the new amendment would make entrepreneurs considering starting a company in Missouri more likely to start their company in another state
- 18% said it would have no effect
- 0% said it would make entrepreneurs more likely to start their company in Missouri

The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

- 100% said the new amendment would make it more difficult to relocate existing companies to Missouri
- 0% said it would be easier to relocate companies to Missouri
- 100% said the new amendment would make it more difficult to establish new companies in Missouri.
- 0% said it would be easier to establish companies in Missouri

It is important to note that none of the surveyed companies or investors is involved in stem cell research. That being the case, these results are evidence of the serious harm that this proposed amendment would wreak, not just on companies involved in stem cell research but on the wide variety of companies in Missouri that depend on scientific research for their survival and growth. Any threat to science of any type creates a chilling environment and negatively affects their business climate.

While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, they believe these results clearly support the above

assertions that if the amendment passes the city will lose both existing jobs and new opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the city would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrates, these economies are also very important parts of their future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from **Rockwood R-VI School District** indicated they do not expend money for any such services (and they doubt that other districts do either) so there would be no cost or savings to implement this initiative.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

Officials from the **Metropolitan Community College** indicated no direct fiscal impact on their organization.

The **University of Missouri** indicated this amendment would have significant, negative chilling effects on education, research, and economic development across the University of Missouri (UM) System – at all four campuses and their academic health centers.

The proposed amendment, if passed, is projected to have a profound impact on the university's ability to grow and sustain its research operations and meet and exceed its economic development goals. Critical to fulfilling the University of Missouri's mission as the state's public research university is the ability to recruit and retain top faculty researchers who will contribute to the research enterprise to the ultimate benefit of the state's economy. The perception that the state has a hostile attitude toward research, and thus to academic freedom, can have a dampening effect on recruitment and retention of faculty. This amendment would have a deleterious effect on faculty perceptions and a negative impact on the university's ability to conduct cutting edge research that will extend beyond the life sciences.

Competition nationwide to attract and retain research faculty is exceedingly high. Faculty members consider many factors when deciding whether to stay in current

positions or to accept offers from other states, including: supportive environment for research, level of state and private support, institutional reputation, and availability of state-of-the-art research facilities. A study conducted in 2006 by the National Bureau of Economic Research demonstrated the importance of attracting and retaining “research stars”. These research stars in turn attracted other research stars that would concentrate in the area - increasing the number of start-up firms and economic activity in the area. The stars and the surrounding start-up firms would generate additional patents and invention disclosures – spinning off economic development with resulting growth in jobs and transforming economic activity in the area. Thus this concentrated effort results in the “rich getting richer” by virtue of the interactive effects of new ideas generating other new ideas. The proposed amendment will seriously impact the university’s ability to attract and retain the “stars.”

In FY 2007, the University of Missouri generated \$240 million in research expenditures from funding to faculty researchers provided by federal and private sources. The funding primarily provides for the salaries of the researchers and their research staffs, supplies and equipment, and the administrative infrastructure that supports research. If one assumes that only half of the university’s research funding, or \$120 million, is in jeopardy, the direct financial loss to the university would be significant. This loss would come from top researchers leaving the university to go to institutions where there is an open and supportive climate for research and academic freedom. The economic impact on the state would be even greater because recent economic analysis\* indicates that every \$1.00 in research funding brought into the state generates almost \$2.00 in economic output and every \$1.0 million in research funding supports 17 jobs thus reducing economic output by \$240 million and impacting approximately 2000 jobs.

This amendment could also have an impact on the university’s ability to support and grow commercialization of new technologies and the formation of new companies that result from the research. The university has a goal to increase revenues from patents and licenses from \$2.3 million in FY 2006 to approximately \$10 million in FY 2009. This amendment would jeopardize this growth in revenues that would be used by the university to reinvest in research and technology transfer operations and in economic development ventures that benefit the entire state such as the Discovery Ridge research park and the new life sciences incubator in Columbia and the Missouri University of Science and Technology Innovation Park in Rolla. A recent MERIC economic impact analysis on Discovery Ridge indicated that continued investment in this project would yield an economic impact of \$33 million on the state’s economy.

Finally, this amendment, if passed, could have a deleterious affect on the university’s ability to continue to attract leading medical researchers and physicians to its medical schools and hospitals in Columbia and Kansas City. This would compromise the ability of the university’s academic health centers to sustain high quality health care for citizens in the state and to continue to develop cutting edge treatments for the most life threatening medical conditions. This could result in the loss of patients to their hospitals and clinics as citizens of the state seek health care in other states. The fiscal impact of this is difficult to quantify.

\*Kaufman, J., Kalaitzandonakes, N, and Johnson, T. "The Economic Role of the University of Missouri in the State." March 18, 2008.

Officials from the **University of Central Missouri** indicated no costs or savings on their organization as a result of this initiative petition.

Officials from **Harris-Stowe State University** indicated this initiative petition has no fiscal impact on their organization.

Officials from **Missouri State University** indicated their organization does not spend any funds in this area, so this petition should have no fiscal impact on their university.

Officials from **Missouri Southern State University** indicated there would be no fiscal impact to their organization for this initiative petition.

Officials from **Missouri Western State University** indicated there would be no fiscal impact.

Officials from **Northwest Missouri State University** determined this measure would have no estimated cost or savings impact on their organization.

**Mr. Brad Ketcher of the Ketcher Law Firm, LLC** provided fiscal impact information in opposition to the proposal which is summarized as follows:

STATE IMPACT	FY 2009	FY 2010	FY 2011
GSP Reduction	\$280m	\$403m	\$386m
Loss of Stowers Phase II			
State Tax Revenue	\$10.6m	\$15.3m	\$14.7m
Lose of Stowers Phase II (3.8% of GSP)			
GSP Reduction	\$1.7b	\$2.1b	\$2.5b
10% Chilling Effect on R&D			
State Tax Revenue	\$64.6m	\$79.8m	\$95m
10% Chilling Effect of R&D (3.8% of GSP)			
LOCAL GOVT IMPACT		Annual	
KC Loss of Stowers Phase II		\$339k	
Personal Income			
KC Loss of Stowers Phase II		\$113k	
Earnings Tax			
KC Loss of Personal Income		\$154m	
10% Chilling Effect on R&D			
St. Louis Loss of Personal Income		\$331m	

10% Chilling Effect on R&D	
Boone Co. Loss of Personal Income	\$20m

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Governor's Office**, the **Office of State Courts Administrator**, the **Department of Transportation**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, Cape Girardeau 63 School District, Hannibal School District #60, St. Louis Community College, Lincoln University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

### **Fiscal Note Summary**

This proposal could have a significant negative fiscal impact on state and local governmental entities. Federal grants to state governmental entities for research programs may be in jeopardy. The total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-11)**

**Subject**

Initiative petition from Todd Jones regarding a proposed amendment to Article III of the Missouri Constitution. (Received February 20, 2009)

**Date**

March 12, 2009

**Description**

This proposal would amend Article III, Section 38 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Kansas City, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, the University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

**Brad Ketcher of the Ketcher Law Firm, LLC**, provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** indicated that the implementation of this proposal would not directly affect their office. However, they assumed that because this proposal has the potential to be the subject of state and federal litigation, potential costs are unknown.

The **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that the passage of this constitutional amendment could have significant impact on small technology business growth and development as it could create the perception that Missouri is hostile to science and technology.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

The department also indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Higher Education** indicated no direct, foreseeable fiscal impact on their department resulting from this proposal.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative petition.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated since the department does not perform prohibited human research, the implementation of this initiative will have no fiscal impact to their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

The **Department of Corrections** indicated no impact on their agency as a result of this proposal.

The **Department of Revenue** indicated the petition will not have a fiscal impact on the department.

The **Department of Public Safety** indicated there is no fiscal impact for their department.

The **Department of Social Services** indicated there is no fiscal impact to the department because the department does not now, nor plan to, expend funds for prohibited human research.

Officials from the **Office of Administration** indicated this proposal will have no fiscal impact on their agency.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no fiscal impact would be expected to their department as a result of this proposal.

Officials from the **Missouri Senate** indicated that the petition appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any significant impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

The **State Treasurer's Office** indicated no fiscal impact on their office as related to this petition.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of Kansas City** indicated this petition will have a negative fiscal impact on the city. They estimate this initiative would cause a loss of revenue for the city of approximately \$270,000 in FY 2010, approximately \$320,000 in FY 2011 and approximately \$380,000 in FY 2012. Such loss of revenue would occur because of the anticipated negative effect this legislation would have on the Stowers Institute for Medical Research, which is located in Kansas City and conducts biomedical research, and the consequent loss of earnings tax to Kansas City resulting from staff reductions at the Stowers Institute.

The **City of St. Louis** indicated that the fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban “human cloning.” In addition to what is commonly thought of as “human cloning”—a practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or “SCNT,” a procedure for medical research or for treating disease that involves replicating (or “cloning”) a patient’s own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as “therapeutic cloning” because the cells are copied for the purpose of providing or developing a therapy for a patient’s disease or injury.

The economy of the City of St. Louis is closely tied to the city’s image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children’s Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the city. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the city will lose \$1.3 million in revenue each year—\$50,000 x 5,300 x 50% x .01 city earnings tax.

As the following table shows, the city's hospitals alone account for nearly 19,000 jobs in the city, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the city's 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the city's colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of their hospitals and the city's ability to attract and retain talent and employers from any industry. Quality of life, in particular quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBs	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
<b>City of St. Louis Totals:</b>	<b>8,000</b>	<b>221,000</b>	<b>10,442,455,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A 10% loss of jobs in the three categories shown in the above table will cost the city more than \$10 million each year in direct loss of the 1% city earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the city growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the city, given the city's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the city would cost the city an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, they therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the city's general revenue budget—and countless millions more in indirect revenue. According to officials, this is a loss that the city cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, “If Missouri does not choose its ‘fork in the road’ consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices.”

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit the scientists necessary to carry out the Institute’s work. If the Institute expands in

another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not “human cloning.” Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America’s most respected doctors and scientists.

America’s most respected doctors and scientists believe that “reproductive cloning” should be banned, but that “therapeutic cloning” should be encouraged because it holds great medical promise to lead to cures for debilitating diseases—this is also the current philosophy espoused in the Missouri Constitution. In 2002, forty Nobel Prize Winners sent a letter to members of the U.S. Senate making this important distinction. Nobel Prize-winning Scientist Paul Berg has stated that “cloning humans and ‘therapeutic cloning’ are fundamentally different. The cloning of a human being should be prohibited. Therapeutic cloning, on the other hand, is meant to produce stem cells, not babies.” What the proposed amendment would ban is the same procedure that stem cell research opponents have tried unsuccessfully to ban in the legislature for the past five years. The passage of the “Stem Cell Amendment” in late 2006 ended the legislative battle. That battle has now moved to the voting booth with the proposal for this amendment.

In an effort to help quantify the economic impact of a new effort to undo Missouri’s constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the city’s bread and butter.

- 55% said the new amendment would make them less likely to keep their company in Missouri
- 45% said it would have no effect
- 0% said it would make them more likely to remain in Missouri
  
- 73% said the new amendment would make it more difficult to recruit scientists and other talent to Missouri
- 18% said it would have no effect

- 9% said it would make it easier to recruit scientists and other talent to Missouri
- 73% said the new amendment would make it more difficult to attract investors and capital to their company in Missouri
- 27% said it would have no effect
- 0% said it would make it easier to attract investors
- 73% said the new amendment would increase the pressure to relocate their company to another state
- 27% said it would have no effect
- 0% said it would decrease the pressure to relocate
- 73% said the new amendment would increase the likelihood that existing companies would avoid Missouri when considering whether to locate here
- 18% said it would help attract companies to Missouri
- 9% said it would have no effect
- 82% said the new amendment would make entrepreneurs considering starting a company in Missouri more likely to start their company in another state
- 18% said it would have no effect
- 0% said it would make entrepreneurs more likely to start their company in Missouri

The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

- 100% said the new amendment would make it more difficult to relocate existing companies to Missouri
- 0% said it would be easier to relocate companies to Missouri
- 100% said the new amendment would make it more difficult to establish new companies in Missouri.
- 0% said it would be easier to establish companies in Missouri

It is important to note that none of the surveyed companies or investors is involved in stem cell research. That being the case, these results are evidence of the serious harm that this proposed amendment would wreak, not just on companies involved in stem cell research but on the wide variety of companies in Missouri that depend on scientific research for their survival and growth. Any threat to science of any type creates a chilling environment and negatively affects their business climate.

While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, they believe these results clearly support the above assertions that if the amendment passes the city will lose both existing jobs and new

opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the city would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrates, these economies are also very important parts of their future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from **Rockwood R-VI School District** indicated they do not expend money for any such services (and they doubt that other districts do either) so there would be no cost or savings to implement this initiative.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

Officials from the **Metropolitan Community College** indicated no direct fiscal impact on their organization.

The **University of Missouri** indicated this amendment would have significant, negative chilling effects on education, research, and economic development across the University of Missouri (UM) System – at all four campuses and their academic health centers.

The proposed amendment, if passed, is projected to have a profound impact on the university's ability to grow and sustain its research operations and meet and exceed its economic development goals. Critical to fulfilling the University of Missouri's mission as the state's public research university is the ability to recruit and retain top faculty researchers who will contribute to the research enterprise to the ultimate benefit of the state's economy. The perception that the state has a hostile attitude toward research, and thus to academic freedom, can have a dampening effect on recruitment and retention of faculty. This amendment would have a deleterious effect on faculty perceptions and a negative impact on the university's ability to conduct cutting edge research that will extend beyond the life sciences.

Competition nationwide to attract and retain research faculty is exceedingly high. Faculty members consider many factors when deciding whether to stay in current positions or to accept offers from other states, including: supportive environment for

research, level of state and private support, institutional reputation, and availability of state-of-the-art research facilities. A study conducted in 2006 by the National Bureau of Economic Research demonstrated the importance of attracting and retaining “research stars”. These research stars in turn attracted other research stars that would concentrate in the area - increasing the number of start-up firms and economic activity in the area. The stars and the surrounding start-up firms would generate additional patents and invention disclosures – spinning off economic development with resulting growth in jobs and transforming economic activity in the area. Thus this concentrated effort results in the “rich getting richer” by virtue of the interactive effects of new ideas generating other new ideas. The proposed amendment will seriously impact the university’s ability to attract and retain the “stars.”

In FY 2007, the University of Missouri generated \$240 million in research expenditures from funding to faculty researchers provided by federal and private sources. The funding primarily provides for the salaries of the researchers and their research staffs, supplies and equipment, and the administrative infrastructure that supports research. If one assumes that only half of the university’s research funding, or \$120 million, is in jeopardy, the direct financial loss to the university would be significant. This loss would come from top researchers leaving the university to go to institutions where there is an open and supportive climate for research and academic freedom. The economic impact on the state would be even greater because recent economic analysis\* indicates that every \$1.00 in research funding brought into the state generates almost \$2.00 in economic output and every \$1.0 million in research funding supports 17 jobs thus reducing economic output by \$240 million and impacting approximately 2000 jobs.

This amendment could also have an impact on the university’s ability to support and grow commercialization of new technologies and the formation of new companies that result from the research. The university has a goal to increase revenues from patents and licenses from \$2.3 million in FY 2006 to approximately \$10 million in FY 2009. This amendment would jeopardize this growth in revenues that would be used by the university to reinvest in research and technology transfer operations and in economic development ventures that benefit the entire state such as the Discovery Ridge research park and the new life sciences incubator in Columbia and the Missouri University of Science and Technology Innovation Park in Rolla. A recent MERIC economic impact analysis on Discovery Ridge indicated that continued investment in this project would yield an economic impact of \$33 million on the state’s economy.

Finally, this amendment, if passed, could have a deleterious affect on the university’s ability to continue to attract leading medical researchers and physicians to its medical schools and hospitals in Columbia and Kansas City. This would compromise the ability of the university’s academic health centers to sustain high quality health care for citizens in the state and to continue to develop cutting edge treatments for the most life threatening medical conditions. This could result in the loss of patients to their hospitals and clinics as citizens of the state seek health care in other states. The fiscal impact of this is difficult to quantify.

\*Kaufman, J., Kalaitzandonakes, N, and Johnson, T. "The Economic Role of the University of Missouri in the State." March 18, 2008.

Officials from the **University of Central Missouri** indicated no costs or savings on their organization as a result of this initiative petition.

Officials from **Harris-Stowe State University** indicated this initiative petition has no fiscal impact on their organization.

Officials from **Missouri State University** indicated their organization does not spend any funds in this area, so this petition should have no fiscal impact on their university.

Officials from **Missouri Southern State University** indicated there would be no fiscal impact to their organization for this initiative petition.

Officials from **Missouri Western State University** indicated there would be no fiscal impact.

Officials from **Northwest Missouri State University** determined this measure would have no estimated cost or savings impact on their organization.

**Mr. Brad Ketcher of the Ketcher Law Firm, LLC** provided fiscal impact information in opposition to the proposal which is summarized as follows:

STATE IMPACT	FY 2009	FY 2010	FY 2011
GSP Reduction	\$280m	\$403m	\$386m
Loss of Stowers Phase II			
State Tax Revenue	\$10.6m	\$15.3m	\$14.7m
Lose of Stowers Phase II (3.8% of GSP)			
GSP Reduction	\$1.7b	\$2.1b	\$2.5b
10% Chilling Effect on R&D			
State Tax Revenue	\$64.6m	\$79.8m	\$95m
10% Chilling Effect of R&D (3.8% of GSP)			
LOCAL GOVT IMPACT		Annual	
KC Loss of Stowers Phase II		\$339k	
Personal Income			
KC Loss of Stowers Phase II		\$113k	
Earnings Tax			
KC Loss of Personal Income		\$154m	
10% Chilling Effect on R&D			
St. Louis Loss of Personal Income		\$331m	
10% Chilling Effect on R&D			

Boone Co. Loss of Personal Income	\$20m
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The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Governor's Office**, the **Office of State Courts Administrator**, the **Department of Transportation**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, Cape Girardeau 63 School District, Hannibal School District #60, St. Louis Community College, Lincoln University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

### **Fiscal Note Summary**

This proposal could have a significant negative fiscal impact on state and local governmental entities. Federal grants to state governmental entities for research programs may be in jeopardy. The total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-16)**

**Subject**

Initiative petition from Angela Basham regarding a proposed amendment to Article X of the Missouri Constitution. (Received May 26, 2009)

**Date**

June 15, 2009

**Description**

This proposal would amend Article X of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Greene County, Jackson County, Jasper County, St. Charles County, St. Louis County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kansas City, the City of Kirksville, the City of Kirkwood, the City of Mexico, the City of Raymore, the City of St. Joseph, the City of St. Louis, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College

## **Assumptions**

Officials from the **Attorney General's Office** assume any costs associated with the implementation of this proposal can be absorbed with existing resources.

The **Department of Economic Development** indicated no direct impact to their department, but that the proposed changes eliminate, cap, or reduce most sources of tax revenue for state and local governments, so the effect on government as a whole would be pretty drastic.

The **Department of Elementary and Secondary Education** indicated the petition would take away the taxing power of political subdivisions such as school districts. It would also exempt the residential and agricultural classifications of property from taxation as well as removing automobiles, motor vehicles, tractors and farming equipment, office equipment used for the production of income and record keeping and farm animals from personal property assessment.

These changes create a huge fiscal impact for school districts and the state. On December 31, 2007 there was a total assessed valuation in the residential class of real property of \$50,895,502,115; in agricultural there was an assessed valuation of \$1,621,498,838; in personal property there was an assessed valuation of \$18,596,796,007. The average school levy statewide was \$3.8397. The potential loss of revenue for school districts would be calculated as follows:

$\$50,895,502,115/100 \times \$3.8397 = \$1,954,234,595;$      $\$1,621,498,838/100 \times \$3.8397 = \$62,260,691;$      $\$9,298,398,004$ (this is 50% of the personal property assessed valuation assuming that at least 50% of the personal property comes from the items exempted by the petition)/100 X \$3.8397=\$357,030,588.

The total loss of local tax revenue to school districts based on these data would be \$2,373,525,874.

Because the current state funding formula subtracts local effort in the calculation, the loss in local tax revenue would require an increase in state funding of approximately \$2.4 billion to offset this loss.

The provision in Section 11(a) stating that “taxes may not be levied ... on any property owned by citizens or taxpayers of the state of Missouri” seems to eliminate the ability of a school district to repay bonded indebtedness that has already been incurred. The outstanding bonded indebtedness as of June 30, 2008 was nearly \$6 billion. In addition, voters could not approve new bond issues because the school districts could not establish a tax rate to retire the debt. Facilities will fall into disrepair and districts will be unable to repair, renovate, modernize or provide new structures for educational opportunities for the students. It is possible that Section 11(e) overrides Section 11(a).

No provision for alternative sources of revenue has been included in this petition. School districts would be forced to significantly increase class size, consolidate students into fewer buildings, reduce the breadth and depth of courses offered and other dramatic efforts to bring expenditures in line with reduced revenues.

This is the scenario for school districts, but this initiative also would have an enormous negative fiscal impact on all political subdivisions.

The **Department of Higher Education** indicated this petition is likely to have a negative impact on state general revenue, but will not have a direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated this initiative petition has no impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated the proposed initiative petition would effectively eliminate most property taxes and prohibit raising income taxes without a majority vote of the people. It is not apparent if, or how, the lost tax proceeds would be replaced. Apart from any effect this legislation would have on appropriations made to the department, the reduction/elimination of property/sales taxes alone will account for at least \$144,859,342 in lost services to consumers of mental health services.

The Senate Bill 40 (SB40) Boards for the developmentally disabled (as set forth in Section 205.968 to 205.972, RSMo) have been approved by voters in 84 counties and the City of St. Louis to establish a county tax levy to fund services for county residents with developmental disabilities. SB40's currently provide services to approximately 29,000 Missourians with developmental disabilities and provide services such as transportation, day habilitation, sheltered employment, residential, supported employment, services coordination, First Steps and other children's services.

Some counties have also established mental health boards that receive property and/or sales tax revenues to provide substance abuse treatment and services to the mentally ill. The Division of Alcohol and Drug Abuse estimates 706 individuals will receive reduced or eliminated substance abuse treatment and prevention services due to the proposed initiative petition. The Division of Comprehensive Psychiatric Services estimates at least \$43,000,000 in lost services to its consumers.

The **Department of Revenue** indicated this petition would likely reduce total state revenues. Section 4(a) eliminates the provision authorizing taxation of franchises, privileges and incomes and the levying of excise or motor vehicle taxes or any other taxes of the same or different type. This change could arguably prevent a tax from being imposed on franchises (corporate franchise tax), privileges (sales tax; except conservation and parks and soils, which are constitutionally authorized), an incomes (corporate income

and individual income tax) or the levying of excise taxes (cigarette and other tobacco products; motor fuel tax should remain because it is constitutionally authorized).

#### Section 1

- This change would eliminate the taxing power of the local governments. Only the General Assembly could enact and authorize a local tax.
- The Department of Revenue would have less responsibility associated with administering local taxes because local taxes would be eliminated.
- This provision would eliminate the power of counties and political subdivisions to exercise taxing authority.
- It is unclear what would happen to existing local taxes currently in place.
- In calendar year 2008, \$2,325,072,442 (\$2.33 billion) in local sales/use tax was collected by the state and distributed back to local governments.

#### Section 4(a)

- Eliminates the provision that explicitly authorizes the taxing of franchises, privileges or incomes or the levying of excise or motor vehicle taxes or any other taxes of the same or different type.
- This change arguably could prevent a tax from being imposed on franchises (corporate franchise tax), privileges (sales tax; except conservation and parks and soils, which are constitutionally authorized), or incomes (corporate income and individual income tax) or the levying of excise taxes (cigarette and other tobacco products; motor fuel tax should remain because it is constitutionally authorized).
- It is unclear if this section requires taxes to be paid on only the three property tax classes provided within the section.
- It is unclear if this section limits taxation to only property tax, as Section 4(d) supports the conclusion that income taxes are still available.

#### Section 4(b)

- Property in Class 3 and its subclasses will be taxed only to the extent authorized, and the tax based on the annual yield cannot exceed 2% (reduced from 8%);
- Eliminates the property tax on residential real estate property and agricultural and horticultural property;
- This change would eliminate the need for the Property Tax Credit and the Homestead Preservation Credit.
- This would eliminate the need for the Property Tax Credit and the Homestead Preservation Credit.
  - According to the State Tax Commission:
    - If tax on residential and agricultural property were eliminated, the revenue loss would be approximately \$3.3 billion.
    - If the tax on automobiles, motor vehicles, tractors and farming equipment, office equipment used for production of income or record keeping, and farm animals is eliminated, the revenue loss would be approximately \$700 million.

#### Section 4(d)

- Provides that the General Assembly cannot increase tax rates on income without a majority vote of the people;

## Section 6

- Exempts from taxation all automobiles, motor vehicles, tractors and farming equipment, office equipment used for the production of income and/or record keeping, and farm animals;
- Changes the requirement to not have voter approval in order to exceed limits established in Section 11(b);
- This section exempts automobiles, motor vehicles, tractors and farming equipment, office equipment used for the production of income and or record keeping, and farm animals from taxation. It is recommended that the above terms be defined.
- Section 11(a) of this proposal eliminates taxes on any personal property owned by the citizens of this state, which implies that the intent is to include marine vessels (i.e. boats, personal watercraft, etc.) and trailers, since they are currently taxed as personal property. However, Section 6.1 does not include marine vessels or trailers in the new language. For clarification and consistency it is recommended that marine vessels and trailers be included in the new language in Section 6.1, if that is the intent. If the intent is not to exempt marine vessels or trailers from the elimination of property taxes, the Department of Revenue would continue to require a paid personal property tax receipt prior to registering/renewing vessels and trailers.
- If the intent is to include marine vessels as being exempt from personal property tax, it is recommended that Section 306.030.8, RSMo be revised accordingly.
- In addition, this section requires local subdivisions to be reimbursed for any loss of revenue from these exemptions. However, Section 1 eliminates the power of the counties and political subdivisions to exercise any taxing authority. Therefore, clarification is recommended as to how local subdivisions would be reimbursed.

## Section 8

- Provides that the state tax on real and tangible personal property cannot exceed \$0.02 on \$100 assessed valuation, reduced from \$0.10;
- According to the State Tax Commission, the only state-levied property tax is 3 cents on each hundred dollars of assessed value, amounting to about \$29.1 million in revenue per year, which is dedicated to the Blind Pension Fund. Section 8 would cap that at 2 cents, reducing the Blind Pension Fund's revenue from this source by a third.

## Section 11(a)

- Provides that taxes cannot be levied by state, county, township and other political subdivisions on property owned by citizens or taxpayers of the state of Missouri;
  - This section would eliminate the ability of any political entity to collect personal property taxes on any personal property owned by any citizens or taxpayers of the state. By eliminating personal property tax on vehicles, this change would eliminate the Department of Revenue's need to review personal property tax receipts in order to issue or renew registration on all types of vehicles and possibly also trailers.
  - Section 11a states, "Taxes may not be levied by state, county, township, and other political subdivisions on any property owned by citizens or taxpayers of the state of

Missouri.” Although it appears that this provision would eliminate property tax, it is unclear whether it is limited solely to tax on real property.

- The State Tax Commission is mandated by Article X, Section 14 to equalize assessments and hear property tax appeals. If all property taxes were eliminated, this agency would be greatly reduced (possibly eliminated, despite the constitutional provision) and would retain almost no purpose or function.
- According to the State Tax Commission, if all property taxes were eliminated, a revenue loss of approximately \$6.2 billion would result. 55% to 70% of property taxes collected go to schools and 99.5% go to local government as a whole.
- Section 11a states, “Taxes may not be levied by state, county, township, and other political subdivisions on any property owned by citizens or taxpayers of the state of Missouri.” This language appears to eliminate all property taxes. However, Section 4b prohibits tax on residential and agricultural property, but not commercial property, and Section 6.1 would also exempt a large amount of personal property from tax. In addition, Section 8 lowers the maximum state levy, Section 12a reduces the road and bridge levy, and various references to property tax and tax rates remain (e.g. section 3, 4b, 5, 10c, 11b, 11c, 11d, 11e, 12a, and 16.) The purpose of all of these sections is unclear if Section 11a is intended to eliminate the all property tax in its entirety.
- The provision would eliminate the property tax only for the property of Missouri residents. This may violate the Equal Protection Clause of the U.S. Constitution which requires residents and non-residents to be treated similarly for tax purposes.
- The term “state” suggests that the state is also prohibited from imposing any taxes on any property. Clarification is recommended as this would appear to be inconsistent with other provisions of the petition.
- It is unclear if this section eliminates all property taxes or just taxes on real property. Clarification is recommended.
- This section may eliminate the ability for any political entity to collect personal property taxes on any personal property owned by any citizens or taxpayers of the state. If this legislation eliminates personal property tax on vehicles, the Department of Revenue would no longer need to verify personal property tax receipts before issuing or renewing a registration on all types of vehicles (and possibly including trailers). Therefore, it is recommended that Section 301.025, RSMo, be repealed because it requires the director to witness a personal property tax receipt or waiver prior to issuing or renewing a vehicle registration.
- This section may eliminate the ability for any political entity to collect personal property taxes on any personal property owned by any citizens or taxpayers of the state. If this legislation eliminates personal property tax on vehicles, the Department of Revenue would not need to see personal property tax receipts upon issuing or renewing a registration on all types of vehicles and possibly including trailers.
  - The Department of Revenue would need to revise policies, procedures, Department website, update the GRS renewal print program, TRIPS system and the Missouri Online License Plate Renewal System (MORE). There would be no additional costs for these changes.

## Section 11(b)

It is unclear how local taxes can be imposed, as contemplated in this section, if the authority to do so is eliminated in Section 11(a). Clarification is recommended.

#### Section 11(c)

It is unclear how local taxes can be imposed, as contemplated in this section, if the authority to do so is eliminated in Section 11(a). Clarification is recommended.

#### Section 11(d)

It is unclear how local taxes can be imposed, as contemplated in this section, if they were eliminated in Section 11(a). Clarification is recommended.

#### Section 12(a)

- Reduces the amount of an additional levy for road and bridge purposes from \$0.35 to \$0.10 on the \$100 assessed valuation on taxable real and tangible personal property within a district;
- This section appears to be inconsistent with Section 1 and 11(a). Section 1 and 11(a) appear to eliminate the authority of local governments to impose local taxes. However, this section appears to reduce the local tax rate for road and bridge projects. Clarification is recommended.

#### Section 13

- Provides that no real or personal property owned by any citizen of the State of Missouri shall be sold to satisfy obligations for state, county or city taxes;
- This section removes a long-established method for the collection of delinquent taxes used by local subdivisions and the state.

#### Section 22(a)

- Under this provision, counties and other political subdivisions are prohibited from levying any tax, license or fees without a majority vote of the citizens of Missouri.
- This change will require the county and other political subdivision to obtain a majority vote of the citizens of Missouri, rather than the majority of the qualified voters of that county or other political subdivision if they wish to levy any tax, license or fee.
- Clarification is recommended as this provision appears to conflict with Section 11(a) and Section 12(a).
- This provision would require towns with a small population to have a state-wide vote if they wish to levy a tax, which may be very costly.

The **Department of Public Safety** indicated this would significantly change tax law in Missouri. If passed, it would reduce revenues to the department, however, the amount of the reduction is unknown at this point.

**Department of Social Services** officials indicated Family Support Division (FSD) programs for the blind are funded by a property tax for the blind pension fund. It seems to be an assumption that 60% of all property taxes are from residential and agricultural property. In FY 10, it is estimated the blind pension fund would have approximately \$33,000,000 for use for programs for the blind. Lost income would total at least

\$19,800,000 (60% X \$33,000,000 = \$19,800,000). The blind pension fund pays a monthly allowance to qualified blind citizens and also funds rehabilitative services for the blind.

There is no effect on the eligibility requirements to FSD programs. However, the reduction in blind pension property tax would result in a reduction in the level of benefits and services to recipients of blind pension and customers of Rehab services of the blind; unless, the reduction in the blind pension fund is back filled by General Revenue. Monthly Blind Pension grants would be cut from \$609 to approximately \$366 per recipient.

State funding for Rehab Services for the Blind would be cut by 60% resulting in a loss of not only state funding but also federal matching funds ranging from 70% to 90%.

The **Governor's Office** indicated that there should be no added cost to their office if this amendment to the Constitution, which makes numerous changes to state and local taxation provisions, is passed by the voters.

Officials from the **Office of Administration** indicated, if approved by the voters, these changes would have significant impacts on local governments, including school districts. Budget & Planning (BAP) estimates no costs or savings to the Office of Administration.

Section 1 removes provisions allowing local governments to levy any type of tax. In addition to the property taxes in Section 11(a), this would eliminate local sales taxes. According to the Department of Revenue's 2008 Annual Report,<sup>1</sup> this would lower local sales tax revenues \$2.31B. Also, this would prevent the cities of St. Louis and Kansas City from collecting earnings taxes. BAP does not have an estimate of those revenues.

Section 11(a) prohibits any type of property taxation. BAP notes that, according to the State Tax Commission's 2008 Annual Report, the total assessed valuation in Missouri was \$97,238,216,132.<sup>2</sup> Assuming an average property tax rate of \$6.25 per \$100 assessed valuation, this would lower local government revenues by \$6.08B. This would impact counties, cities, and school districts, as well as special subdivisions such as fire, ambulance, and library districts. Further, this would lower Blind Pension Fund receipts (and thus total state revenues) by \$29.2M, at \$0.03 per \$100 assessed valuation.

There is no additional language in this proposal that provides reimbursement by the state to local governments. Section 18(e) prohibits the state from imposing a tax increase sufficient to accomplish this--allowing a tax increase of about \$90M without a vote of the people. Further, the amended Section 4(d) prohibits any income tax rate increases without a vote of the people.

Without local taxes, the state could benefit from certain administrative savings. For instance, the State Tax Commission would have sharply reduced responsibilities, as well as the local collections units at the Department of Revenue. BAP defers to those agencies for estimated impacts.

Additionally, appropriations would no longer be needed for the Homestead Preservation or Rolling Stock Tax Credits; and the Senior Property Tax Credits would be minimal (currently \$115M annually).

<sup>1</sup> <http://dor.mo.gov/cafr/taxesadm.pdf>

<sup>2</sup> <http://www.stc.mo.gov/2008AR/2008VTableIIIRecap.pdf>

Officials from the **Missouri House of Representatives** indicated this petition has no fiscal impact to their operations budget.

The **Department of Conservation** indicated no adverse fiscal impact would be expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated this petition should not have a fiscal impact on the judiciary.

The **Department of Transportation** (MoDOT) indicated if this initiative petition passed as understood, Statewide Transportation Improvement Program (STIP) projects would be affected because MoDOT would have difficulty delivering projects promised to the public if these taxes were eliminated. Also, MoDOT would default on bonds because these taxes and fees pay for outstanding debt of \$2.3 billion, therefore they would not have the resources to repay their debt. Additionally, their federal revenue would be jeopardized because they would not have the state revenue to match federal dollars.

Section 1: This section has been amended so that only the General Assembly has taxing power (and not counties and other political subdivisions). While this change will not impact MoDOT directly, it will have an impact upon Transportation Development Districts (TDDs), which are political subdivisions pursuant to section 238.205, RSMo.

Chapter 238, RSMo, authorizes TDDs to assess various taxes to fund transportation projects within the district, including sales taxes and property taxes. However, the changes to this section would seemingly prevent TDDs from assessing such taxes. Without taxing authority, TDDs would no longer be a viable means to construct transportation projects that perhaps would not otherwise be funded by the Missouri Highways and Transportation Commission (MHTC) (either because they are on state or local roads, or because funding for the project is unavailable). MoDOT is aware of 87 TDD's that have been formed and are making improvements to our state highway system, however, they do not track their costs because they are local taxing entities. The State Auditor's Office tracks the costs associated with TDD's.

Furthermore, MHTC enters into cost-share agreements with cities and counties for various transportation projects. For many of these agreements, the city or county's share of the cost for the project is paid for with tax revenues. It is possible that cities and counties that have already entered into such agreements with MHTC would default if

taxation revenues were no longer available. There are currently 14 outstanding cost share agreements with total project costs estimated at \$112 million.

Section 4(a): Currently, this section classifies all taxable property and states that nothing in the section shall prevent the taxing of franchises, privileges or incomes, or the levying of excise or motor vehicle license taxes, or any other taxes of the same or different types. However, this section has been amended to remove this disclaimer.

The impact of the removal of this sentence is unclear. If the reference to “excise or motor vehicle license taxes” is intended to include motor fuel excise taxes, as well as motor vehicle registration fees, and if the removal of this sentence means that such taxes can no longer be assessed, then this change will have a significant fiscal impact upon MoDOT, because motor fuel taxes and motor vehicle registration fees comprise the majority of the revenue MoDOT receives.

In Fiscal Year 2008, MoDOT received a total of approximately \$1.049 billion in revenue. Of this amount, \$520 million (or about 50% of MoDOT’s total revenues) was generated from motor fuel taxes and \$272 million (or about 26% of MoDOT’s total revenues) was generated from motor vehicle registration and drivers license fees. If this change to section 4(a) is intended to eliminate these taxes, the majority of MoDOT’s revenues would also be eliminated and MoDOT would have to seek alternate funding for its programs.

Section 4(b): This section has been amended so that real property taxes cannot exceed 2% (the section currently sets a maximum taxation rate of 8%). This section has also been amended to prohibit the assessment of taxes upon residential real estate property and upon agricultural and horticultural property. While these changes will not have a direct fiscal impact upon MoDOT, as mentioned in the discussion of section 1 above, these changes will impact TDDs’ taxation authority, as they will no longer be authorized to assess property taxes upon property within their districts to fund transportation projects. Similarly, cities and counties that fund their portion of MHTC cost-share agreements with property taxes will also need to find a different revenue stream to cover their portion of the cost of the transportation project being constructed.

Section 6: This section has been amended so that in addition to household goods, furniture and clothing, automobiles, motor vehicles, tractors and farming equipment, office equipment used for the production of income and recordkeeping, and farm animals may be exempt from taxation by general law, but any such law may provide for approximate restitution to the respective political subdivisions of revenues lost by reason of this exemption.

As drafted, this section will not have a fiscal impact upon MoDOT unless, after the section is enacted, the General Assembly enacts a law exempting motor vehicles from taxation. Although section 6 allows the General Assembly to provide for restitution, such restitution is to be provided to “the respective political subdivisions”, and MoDOT is a state agency, not a political subdivision. Thus, it is unclear how or if MoDOT would

receive additional funding from an alternate source to make up for the loss of motor vehicle sales taxes.

In Fiscal Year 2008, out of MoDOT's approximate \$1.049 billion total revenues received, \$257 million (or about 24% of MoDOT's total revenues) was generated from motor vehicle sales and use taxes. If the General Assembly opts to eliminate such taxes, MoDOT would have to seek alternative funding for its programs.

Section 11(a): This section has been amended so that taxes may not be levied by state, county, township and other political subdivisions on any property owned by citizens or taxpayers of the state. This change would prohibit the assessment of state motor vehicle sales taxes, and therefore will have a significant fiscal impact upon MoDOT, as described in the discussion of Section 6 above.

Section 22(a): This section is amended so that counties and other political subdivisions are prohibited from levying any tax, license or fee without a majority vote of the citizens of Missouri. While this change will not have a direct fiscal impact upon MoDOT, it would impact TDDs, which are political subdivisions, as discussed in relation to Section 1 above.

Officials from the **Missouri Senate** indicated that the petition appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any significant impact on their office, other than the obvious reduction in the total available state funds.

The **State Tax Commission** indicated this petition is extremely confusing and internally contradictory. The proposed section 11a states: Taxes may not be levied by state,

county, township, and other political subdivisions on any property owned by citizens or taxpayers of the state of Missouri.

In other words, the property tax would be eliminated. It is curious why the language would attempt to eliminate the tax only for the property of Missouri residents. If the property tax is eliminated for Missouri residents, it seems clear that the Equal Protection Clause of the U.S. Constitution would require non-residents to be treated similarly.

The contradictions abound. Section 11a would eliminate the property tax, yet, section 4b would prohibit tax on residential and agricultural property, but not commercial property and section 6.1 would exempt a huge amount (but apparently not all) of personal property. If 11a eliminates the property tax, section 4b and 6.1 have no purpose whatsoever. The inconsistencies and contradictions don't stop there. Despite 11a's prohibition of property tax, section 8 lowers the maximum state levy, section 12a reduces the road and bridge levy, and various references to property tax and tax rates remain (e.g. section 3, 4b, 5,10c, 11b, 11c, 11d, 11e, 12a, and 16 ).

Incidentally, the only state-levied property tax is 3 cents on each hundred dollars of assessed value, amounting to about \$29.1 million in revenue per year which is all earmarked for the Blind Pension Fund. Section 8 would cap that at 2 cents, reducing the Blind Pension Fund's revenue from this source by a third.

Depending on how the courts sort out the intent of the initiative petition, various levels of economic impact could result—all of them severe. If all property tax were eliminated (11a), a revenue loss of approximately \$6.2 billion would result. If tax on residential and agricultural property were eliminated (4b), the revenue loss would be approximately \$3.3 billion. If the tax on automobiles, motor vehicles, tractors and farming equipment, office equipment used for production of income or record keeping, and farm animals the revenue loss would be approximately \$700 million. Considering that 65% to 70% of property taxes goes to schools and 99.5% goes to local government as a whole, any of these scenarios would be devastating.

The State Tax Commission is mandated by Article X, Section 14 to equalize assessments and hear property tax appeals. If property taxes are eliminated entirely, this agency would be greatly reduced (possibly eliminated despite the constitutional provision) and retain almost no purpose or function. Any less radical scenario created by the passage of the initiative petition would have little impact on the Commission in that the assessments would still have to be made and maintained as they are now.

**The State Treasurer's Office** indicated this petition has no cost or savings to their office.

**Jasper County** indicated that passage of referenced Constitutional Amendment would have the following negative impact upon the government of Jasper County and other governmental entities within the county as follows:

<u>Loss of revenue</u>	<u>\$ in millions</u>
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General Revenue	\$2.0
Assessment	.5
Roads and Bridges	.9
Total cost to county gov't	<u>\$3.4</u>

Loss of revenue to other governmental entities

Mental Health	\$1.2
Public schools	53.2
Sheltered Facilities	1.2
Special Road Districts	2.4
Fire Districts	1.4
Total cost to other governmental entities	<u>\$59.4</u>

Total impact on Jasper County due to loss of revenue                    \$62.8 mil

The lost revenue as a result of this proposal would have to be replaced from other sources. Many of the other governmental entities within the county operate solely on revenues from property taxes. The numbers cited above are from reports listing previous year property tax collections.

**Taney County** indicated this petition is poorly written, and because of several internal contradictions in the text, it is difficult to arrive at just one possible scenario of fiscal impact on their entity. The actual fiscal impact will depend upon how the courts harmonize the internal contradictions, if at all. The fiscal impact under every likely interpretation would result in a significant negative impact upon political subdivisions in Taney County, Missouri, including the county.

One questions whether the courts would harmonize the contradictory provisions, because there are so many contradictions, and because some of the proposed amendments seem to violate various provisions of the United States Constitution, including, but not limited to, the Equal Protection and the Privileges and Immunities clauses. The Privileges and Immunities and Equal Protection Clauses of the U.S. Constitution would appear to be violated by an attempt to tax only those who are not Missouri citizens. Specifically Section 11(a) states as follows:

“Taxes may not be levied by state, county, township, and other political subdivisions on any property owned by citizens or taxpayers of the state of Missouri.”

This would mean that only non-Missouri citizens could be taxed, unless of course this section is interpreted to mean that no one would pay property tax, because it states that taxes may not be levied on property owned by Missouri taxpayers. Certainly once a tax was levied on an entity's property, the entity would then be a Missouri taxpayer fully exempt from that tax. However, if it means that the property tax may not be levied

against those who pay other Missouri taxes, such as income tax, then it certainly would violate the U.S. Constitution. Also, if sales tax were to be considered, could one exempt his property from taxation by coming to Missouri and buying a ten dollar item that is subject to sales tax?

If the amendment language in Section 11(a) is interpreted to completely do away with property tax in Missouri, it would be devastating to all taxing districts that rely upon ad valorem taxes. In no time, Taney County would not have one publicly funded school, fire department or health department. Services for the developmentally disabled would be totally eliminated as well. The sheltered workshop that employs many developmentally disabled adults and support staff as well, would be forced to close. The assisted living centers would shut their doors.

Section 11(a) appears to eliminate all property tax. This contradicts Section 4(b) which appears to eliminate property tax only in the residential and agricultural/horticultural classes, and seems to retain a property tax for commercial property. The fiscal impact of eliminating the proceeds from residential and agricultural property taxes would also be devastating. The Taney County Assessor estimates that the political subdivisions in Taney County would lose approximately \$24 million dollars.

Perhaps the \$24 million dollars would not be eliminated if the taxing entities were permitted to increase their levies so that owners of commercial properties would be forced to make up the difference. However, this could chill all commercial activity in Taney County, and many businesses would close, and others would locate just south of the Arkansas line. Therefore, it could be estimated that Taney County would lose all or close to all of its property tax revenues if the entire tax burden was placed upon commercial property exclusively.

Next, the proposed amendment to Article X abolishes personal property taxes on motor vehicles, business equipment, farm animals and several other categories of personal property that currently generates considerable revenue for Taney County's taxing entities. The Taney County Assessor has estimated that Taney County political subdivisions would lose approximately \$7 million in personal property tax revenue if the proposed amendment is adopted.

Section 1(a) of the proposed amendment to Article X would appear to remove any taxing authority at all from all political subdivisions other than the state itself, for state purposes. This provision would prevent the operation of most political subdivisions in the state, including Taney County. All roads and bridges would become state maintained or they would not be maintained at all.

Section 1(a) would eliminate the sales taxes currently levied by Taney County, Missouri to support law enforcement, the operation of county government, to operate and maintain roads and bridges, and to build sewer projects and other public improvements. Taney County currently receives more than \$20 million dollars annually from sales taxes levied by the county. All of these funds would be eliminated by the proposed section 1(a).

Municipalities within the county also collect sales taxes in varying amounts, including sales taxes used to promote tourism.

In conclusion, Initiative Petition (09-16) at the very least, would reduce the revenues of Taney County government by more than \$20 million dollars annually and would effectively do away with county government in Taney County. The petition's impact upon all political subdivisions in Taney County would probably exceed \$75 million dollars annually, and would ruin the local economy and would increase significantly the unemployment rate in southwest Missouri, and at the same time would take away any chance to fund unemployment benefits.

The **City of Jefferson** indicated that they expect a significant negative fiscal impact with a loss of \$4,500,000 per year should this petition be made law.

The **City of Joplin** indicated that if they are reading and interpreting it correctly, this amendment could have a disastrous effect on the City of Joplin and all local political subdivisions in Missouri. Basically, many sections give power to the State, rather than the political subdivision.

Section 4b says "Residential property. No tax will be assessed against residential real estate property and the same for agricultural property." This will basically wipe out their property tax revenue that is just under \$1 million per year. This would require them to basically have no parks service, it would shut down their health department and solid waste services.

Section 13 would also severely hurt city and counties ability to collect delinquent taxes.

But, Section 22 is by far the worst Section in this proposed petition for local municipalities. This would indicate that cities could not increase licenses or user fees without a majority vote of the entire State of Missouri. The user fees alone for the City of Joplin total over \$17.8 million. This would hinder cities' abilities to keep up with the cost of providing services. Additionally, why would the entire State of Missouri care about the needs of one city within the State? They believe that this would make it next to impossible to pass fee increases for any city within the State of Missouri.

Basically, this petition would cause local municipalities to not be able to provide services, because they couldn't raise sufficient revenue to cover the costs of those services.

The **City of Raymore** indicated this initiative petition if passed will have a significant impact on the revenues of the city. The potential impact could cost the city \$3,730,223.90 in property taxes only using FY09 data. If their understanding is correct, of their \$16.5M revenue budget, the city would only be able to count on the \$5.4M in sales taxes. With a significant revenue cut, the budgeted expenditures would also be cut. Payroll alone is \$5.9M. This leaves no room for any maintenance of the city roads, facilities etc.

The **City of St. Louis** indicated the change proposed to Section 1 of Article X appears to eliminate the power of counties and other political subdivisions to tax. The City of St. Louis is a city, a county, and a political subdivision. They believe this change could be interpreted to eliminate the city's power to continue to impose the taxes that the city is currently imposing. The city's \$453.8 million general revenue budget includes \$364.7 million in tax revenues. If these tax revenues were eliminated, they believe the city would lose \$364.7 million, or more than 80% of the city's general revenue budget. The city cannot continue to function on 20% of the revenue it currently receives—20% of their current general revenue equals only \$91 million: their police and fire departments alone cost in excess of \$200 million per year. Therefore, they believe this portion of the amendment alone would have the fiscal impact of effectively eliminating city government altogether. In addition, other taxes imposed by the city provide other revenue for special purposes that include augmenting general revenue, improving public safety, capital improvements, and transportation. If these tax revenues were eliminated, they believe the city would lose an additional \$99.8 million, based on the city's FY2009-10 budget.

Further, the change proposed to Section 22(a) of Article X appears to eliminate the power of counties and other political subdivisions to levy fees without a vote of the people. Nearly all of the \$91 million remaining in the city's general revenue budget after taxes are eliminated consists of fees. Thus, they believe this portion of the proposed amendment could cause the city to lose an additional \$91 million (nearly 100% of the remainder of its general revenue budget) if voters failed to approve these fees following passage of the amendment. Also, the amendment appears to require a statewide vote to approve any local taxes, licenses or fees.

In summary, then, they believe that the proposed amendment would have a negative fiscal impact on the City of St. Louis ranging from a total of \$464.5 million to \$555.5 million. As noted above, they believe the amendment would have the fiscal impact of effectively eliminating city government altogether, as the city would no longer have the revenues needed to pay for services the city is required to provide.

The **City of Union** indicated this petition appears to have a tremendous impact on the fiscal viability of local governments. It proposes far reaching prohibitions against the taxing authority of local and state governments on many items currently taxed. It also appears to remove most of the avenues available for local and state governments to collect unpaid taxes. It significantly limits the tax rates allowed and prohibits increases that may be necessary to adjust for inflationary factors. It does not identify how service shortfalls are to be funded through alternative sources.

Officials from **Linn State Technical College** indicated that if this results in a drastic reduction in general revenue for the State of Missouri, there may be a fiscal impact on their organization since the majority of their state appropriations come from general revenue funds.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Greene County, Jackson County, St. Charles County, St. Louis County, the City of Cape Girardeau, the City of Columbia, the City of Kansas City, the City of Kirksville, the City of Kirkwood, the City of Mexico, the City of St. Joseph, the City of Springfield, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College

#### **Fiscal Note Summary**

Prohibiting the levy of property and sales taxes by local governments would eliminate or reduce funding for local governmental services, including public schools, transportation, safety, and health programs. State governmental services to the blind would be eliminated or reduced. The estimated cost to state and local governmental entities could exceed \$8.5 billion annually.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-17)**

**Subject**

House Joint Resolution No. 15 submitting to the voters a constitutional amendment relating to property tax exemption. (Received June 1, 2009)

**Date**

June 17, 2009

**Description**

This proposal would amend Article X, Section 6 of the Missouri Constitution.

The amendment is to be voted on in November, 2010, or at a special election to be called by the governor for that purpose.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Missouri Veteran's Commission**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, **Cass County**, **Cole County**, **Greene County**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community Colleges**, the **University of Missouri**, **St. Louis Community College**

## **Assumptions**

Officials from the **Attorney General's Office** indicated that the implementation of this proposal creates no fiscal impact on their office.

The **Department of Economic Development** indicated no fiscal impact for their department.

The **Department of Elementary and Secondary Education** indicated this proposal could have a fiscal impact but it would be impossible to calculate and would probably be very small.

The **Department of Higher Education** indicated this proposal will not have a direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this resolution places no additional obligations or requirements upon their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

The **Department of Corrections** indicated this proposal will have no fiscal impact for their department.

The **Department of Revenue** indicated this proposal will not impact their department.

The **Department of Public Safety** indicated there is no fiscal impact for their department.

The **Missouri Veteran's Commission** indicated no fiscal impact.

The **Department of Social Services** officials indicated this proposal, if adopted, would have a small, but probably negligible, impact on the Blind Pension Fund. The Blind Pension Fund receives 3 cents for every \$100 of assessed value from the county real property tax. Since veterans must have been both a prisoner of war and have a total (100%) service-connected disability, the department believes only a small number of individuals will be affected. The exact number and the value of the property they own, however, are unknown.

The department noted that the Division of Legislative Oversight's fiscal note for HJR 15 estimated the loss to the Blind Pension Fund at \$934. In that fiscal note, the Office of Administration, Division of Budget and Planning estimated the loss to the Blind Pension Fund at \$1,200. Both estimates are consistent with the department's conclusion that the impact to the Blind Pension Fund will be minimal.

The **Governor's Office** indicated no added cost to their office if this proposal is passed by the voters.

Officials from the **Office of Administration** indicated this proposal will have no impact on the state's general revenues, but will reduce Blind Pension Fund revenues.

According to the U.S. Department of Veterans Affairs, there were approximately 32,500 POWs living at the end of 2004.<sup>1</sup> Based on the death rate in that report, BAP estimates 25,000 POWs are living in 2009. Assuming 2% are in Missouri, then 500 POWs are in the state. BAP has no data on what portion may have a service-related disability.

The State Tax Commission reports \$51,016 million in residential assessed valuations in 2007. POWs comprise .008% of Missouri's population, thus, they may have an estimated \$4 million in assessed residential valuation. At 3-cents per \$100 assessed valuation, this proposal may reduce Blind Pension Fund revenues by \$1,200.

<sup>1</sup> <http://www1.va.gov/vetdata/docs/POWCY04Final4-7-05forweb.doc>

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no fiscal impact would be expected to their department as a result of this proposal.

The **Office of the State Courts Administrator** indicated this resolution should not have a fiscal impact on the judiciary.

The **Department of Transportation** indicated no fiscal impact.

Officials from the **Missouri Senate** indicated that the resolution appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically

been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this measure will not have any impact on their office.

The **State Tax Commission** indicated this proposed constitutional amendment would exempt from taxes all real property owned by a former prisoner of war who has a total service-connected disability. The Commission contacted the Missouri Division of Veterans Affairs. They projected there may be 200 veterans who are former prisoners of war with a total service-connected disability currently living in Missouri. However, it is unknown the number of these veterans who own real property or what the value of that property is. Therefore, the State Tax Commission is unable to project the loss of revenue to the local political subdivisions.

The **State Treasurer's Office** indicated no cost or savings on their office as related to this measure.

**Cass County** officials indicated it is impossible for them to determine how many former POW's they have in their county who meet the criteria defined in this proposal. After speaking with their County Assessor, they determined that it is likely this would have a minimal impact on the county. Cass County depends mostly on sales tax for its general revenue. If they had to give an estimate, it would likely be - \$100 to UNKNOWN. They believe this would probably help many of these veterans and it would have a minimal impact on the county.

The **City of Jefferson** indicated they expect a negative fiscal impact should this petition become law however it is not possible to determine the fiscal impact as there is no way for them to determine the number of people that would be exempted by the language.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this proposal.

Officials from the **Metropolitan Community College** indicated no significant fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Labor and Industrial Relations**, Cole County, Greene County, St. Louis County, the City of Kansas City, the City of St. Louis, the City of West Plains, Cape Girardeau 63 School District, Hannibal School District

**#60, Rockwood R-VI School District, the University of Missouri, St. Louis Community College**

**Fiscal Note Summary**

The number of qualified former prisoners of war and the amount of each exemption are unknown, however, because the number who meet the qualifications is expected to be small, the cost to local governmental entities should be minimal. Revenue to the state blind pension fund may be reduced by \$1,200.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-18)**

**Subject**

Senate Joint Resolution No. 5 submitting to the voters a constitutional amendment relating to assessors. (Received June 1, 2009)

**Date**

June 17, 2009

**Description**

This proposal would amend Article VI, Section 18(b) of the Missouri Constitution.

The amendment is to be voted on in November, 2010, or at a special election to be called by the governor for that purpose.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Boone County, Clay County, Jackson County, Jefferson County, St. Charles County, St. Louis County, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College

## **Assumptions**

Officials from the **Attorney General's Office** indicated that the implementation of this proposal creates no fiscal impact on their office.

The **Department of Economic Development** indicated no fiscal impact for their department.

The **Department of Higher Education** indicated this proposal will not have a direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated no impact as a result of this initiative.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this resolution places no additional obligations or requirements upon their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

The **Department of Corrections** indicated this proposal will have no fiscal impact for their department.

The **Department of Revenue** indicated this proposal will not impact their department.

The **Department of Public Safety** indicated there is no fiscal impact for their department.

The **Department of Social Services** indicated there is no fiscal impact on their department.

The **Governor's Office** indicated there should be no added cost to their office if this proposal is passed by voters.

Officials from the **Office of Administration** estimates no costs or savings to their office.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no fiscal impact would be expected to their department as a result of this proposal.

The **Office of the State Courts Administrator** indicated this resolution should not have a fiscal impact on the judiciary.

The **Department of Transportation** indicated no fiscal impact to their department.

Officials from the **Missouri Senate** indicated that the resolution appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this measure will not have any impact on their office.

The **State Tax Commission** indicated this resolution will not have a fiscal impact on their agency.

The **State Treasurer's Office** indicated no cost or savings on their office as related to this measure.

**Jefferson County** officials indicated no fiscal impact to their county as a result of this resolution.

The **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this proposal.

Officials from the **Metropolitan Community College** indicated no fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, **Boone County**, **Clay County**, **Jackson County**, **St. Charles County**, **St. Louis County**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, the **University of Missouri**, **St. Louis Community College**

### **Fiscal Note Summary**

It is estimated this proposal will have no costs or savings to state or local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-27)**

**Subject**

Initiative petition from Charles W. Hatfield regarding a proposed constitutional amendment to Article X. (Received June 25, 2009)

**Date**

July 15, 2009

**Description**

This proposal would amend Article X, Section 25 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, the **State Tax Commission**, Boone County, Jackson County, Jasper County, St. Louis County, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Union**, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community College, the **University of Missouri**, St. Louis Community College.

## **Assumptions**

Officials from the **Attorney General's Office** assume this proposal would have no fiscal impact on their office.

The **Department of Economic Development** indicated no fiscal impact for their department.

The **Department of Elementary and Secondary Education** indicated this initiative petition does not appear to have a fiscal impact on districts' local or state revenue. There appears to be no increased cost to the school foundation formula.

Officials from the **Department of Higher Education** indicated that assuming that the state, counties, and political subdivisions do not currently impose any such taxes, this amendment would have no direct, foreseeable fiscal impact on their department. If that assumption is incorrect, the department would be indirectly impacted if the amendment resulted in lower general revenue collections. The extent of that impact is unknown at this time.

The **Department of Health and Senior Services** indicated no impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated that since the department is not directly funded from taxes and this proposed restriction applies only to the sale or transfer of homes or real estate, implementation of the proposed initiative petition would have no fiscal impact on the department.

The **Department of Natural Resources** indicated this petition prohibits the State, counties, and other political subdivisions from taxing the sale or transfer of homes or any other real estate. After conferring with officials from the Department of Revenue, they concur that it appears that this proposal applies to sales tax on real estate transactions. This would not appear to have a direct fiscal impact on the department's Parks and Soils Sales Tax Funds.

The department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption on items for which this tax is currently being collected would be a loss to the Parks and Soils Sales Tax (PSST) Funds. So, if their interpretation is incorrect and if the proposed prohibition applies to anything that they currently collect PSST Funds there would be an unknown loss to PSST Funds. In that scenario, the department assumes the Department of Revenue would be better able to estimate the exact amount of impact to the PSSTF.

The **Department of Revenue** indicated a cost of \$89,923 for FY 10, \$90,446 for FY 11, and \$93,160 for FY 12 to general revenue as a result of this proposal. The department indicated there are instances in which the gain on the sale of property is included in federal adjusted gross income, which flows through to Missouri. Arguably, this initiative petition could prohibit income taxation on gains from the sale of real estate. Based upon this assumption, a new line would need to be added to the Missouri return to allow for a subtraction modification, which may reduce total state revenues. Modifications to the MINITS system and individual tax forms would be required to allow for a subtraction modification. The department costs are based on needed personnel service (PS) and expense and equipment (E&E) for 3 FTE: a temporary tax employee for key entry of the additional line, one revenue processing technician for every 19,000 returns verified, and one revenue processing technician for every 2,400 pieces of correspondence.

The Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. The Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 3 existing CIT III for 2 months for system modifications to MINITS. The estimated cost is \$26,646.

It is recommended to define the term, "home." For example, it is unclear whether "home" encompasses homes that are not the taxpayer's primary residence. It is also unclear if the prohibition on tax for the sale or transfer of homes or any other real estate would also include income taxation on gains from the sale of real estate.

The **Department of Public Safety** indicated they see no fiscal impact due to this petition.

The **Department of Social Services** indicated that according to the web site of the National Association of Realtors (NAR), 37 states and the District of Columbia impose real estate transfer taxes. Thirteen states, including Missouri, do not. The NAR cites as their source the "Assessment Journal, International Association of Assessing Officers, November/December 1997; Commerce Clearing House State Tax Guide 2001, compiled by National Conference of State Legislatures Fiscal Affairs Program and updated by NAR from various sources 8/15/05."

Since Missouri currently does not impose such a tax, this petition can be viewed as at attempt to ensure that Missouri will not impose such a tax in the future. Since the tax does not presently exist and cannot be imposed in the future, neither of these petitions will have any fiscal impact to the Department of Social Services.

The **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

Officials from the **Office of Administration** (OA) initially indicated they spoke with officials at the Missouri Department of Revenue, the Missouri Municipal League, and the

Missouri Association of Realtors. None of these agencies are aware of any such taxes that currently exist. Therefore, this proposal will have no impact on general and total state revenues or local revenues. In addition, this proposal will have no fiscal impact on the Office of Administration.

After a subsequent review, OA indicated that the Department of Revenue suggested that this language could potentially prohibit the state from collecting income tax on any capital gains that result from real estate transactions. OA does not disagree with this assessment. OA does not have the necessary data to estimate the potential reduction in income tax that might result.

Technical Note: The use of the word “for” in the phrase “imposing any tax...for the sale or transfer” seems unusual. Generally, a tax is placed “on” property or income, “for” a benefit or purpose. OA assumes the intent of the proposal is to exempt real estate transactions from taxation.

Officials from the **Missouri House of Representatives** indicated this proposal would have no fiscal impact to the operations budget of their organization.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative petition should not have a fiscal impact on the judiciary.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

The **Office of the State Public Defender** indicated this petition will not have any impact on the state public defender system.

The **State Treasurer's Office** indicated no fiscal impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

Officials from **Jasper County** indicated adoption of this proposed amendment would have no effect on their entity as they currently do not have a sales tax that applies to sale or transfer of real estate.

Officials from the **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from the **City of St. Louis** indicated they believe that this amendment would have a negative impact on the city because it would take away a potential new revenue source—the tax base of the City of St. Louis, like those of many older industrial cities, has eroded with the loss of 60% of our population and hundreds of thousands of jobs over the five decades from 1950 to 2000. While their population is now growing as is their job base, their existing tax base is not sufficient to support the quality and levels of services that citizens and businesses want and need—particularly in this difficult economy.

The city would certainly not place such a tax before the voters at a time like the present when everyone who owns property is worried about the impact of the recession on property values. However, in the not too recent past, when city property values were escalating, speculators were buying and selling city property at a profit without having done anything to increase the inherent value of the property. Absentee owners of problem city property often cause the city to incur costs that the city cannot recover; these absentee owners also cause incalculable harm to the neighborhoods in which these properties are located. They do not believe, philosophically, that it would be unfair to charge such property owners a percentage of the sale price. Further, there are other situations in which such taxes may be appropriate, as in the case of foreclosed property that is also wreaking havoc with many of their neighborhoods.

In summary, this initiative petition proposes sweeping prohibitions on the types of taxes their city could theoretically impose on the sale or transfer of homes or any other real estate. While the city has no plans to impose any such taxes at this time, the city does not wish to limit its flexibility as it seeks ways to generate badly needed city revenues and to fairly apportion the cost of city services.

For these reasons, they believe that the impact of this initiative petition on the city will be negative, but they cannot at this time make an accurate estimate of the value of the negative impact.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact to their organization.

**Metropolitan Community College** indicated this proposal would have no fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, the Missouri Senate, Boone County, Jackson County, St. Louis County, the City of Kansas City, the City of Union, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, the University of Missouri, St. Louis Community College.

### **Fiscal Note Summary**

This proposal could prohibit income taxation on gains from the sale of real estate. Such prohibition may result in an unknown reduction in total state revenues and estimated administrative costs of \$93,160, annually, to state governmental entities. It is estimated this proposal will have no costs or savings to local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-28)**

**Subject**

Initiative petition from Charles W. Hatfield regarding a proposed constitutional amendment to Article X. (Received June 25, 2009)

**Date**

July 15, 2009

**Description**

This proposal would amend Article X, Section 25 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, the **State Tax Commission**, **Boone County**, **Jackson County**, **Jasper County**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, the **University of Missouri**, **St. Louis Community College**.

## **Assumptions**

Officials from the **Attorney General's Office** assume this proposal would have no fiscal impact on their office.

The **Department of Economic Development** indicated no fiscal impact for their department.

The **Department of Elementary and Secondary Education** indicated this initiative petition may create an unknown fiscal impact for the future by limiting the expansion of taxing authority. It appears to make it unlikely the state or any political subdivision could ever increase its revenue. It is unclear whether voters of a particular entity could vote for a tax increase.

Officials from the **Department of Higher Education** indicated this amendment would have no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated that since the department is not directly funded from taxes and this proposed restriction applies only to the sale or transfer of homes or real estate, implementation of the proposed initiative petition would have no fiscal impact on the department.

The **Department of Natural Resources** indicated this petition prohibits the State, counties, and other political subdivisions from imposing any tax that has not been previously authorized and imposed, including a sales tax for the sale or transfer of homes or any other real estate. After conferring with officials from the Department of Revenue, they concur that it appears that this proposal applies to sales tax on real estate transactions. This would not appear to have a direct fiscal impact on the department's Parks and Soils Sales Tax Funds.

The department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption on items for which this tax is currently being collected would be a loss to the Parks and Soils Sales Tax (PSST) Funds. So, if their interpretation is incorrect and if the proposed prohibition applies to anything that they currently collect PSST Funds there would be an unknown loss to PSST Funds. In that scenario, the department assumes the Department of Revenue would be better able to estimate the exact amount of impact to the PSSTF.

The **Department of Revenue** indicated this initiative petition will not have a fiscal impact on their department.

The **Department of Public Safety** indicated they see no fiscal impact due to this petition.

The **Department of Social Services** indicated that according to the web site of the National Association of Realtors (NAR), 37 states and the District of Columbia impose real estate transfer taxes. Thirteen states, including Missouri, do not. The NAR cites as their source the "Assessment Journal, International Association of Assessing Officers, November/December 1997; Commerce Clearing House State Tax Guide 2001, compiled by National Conference of State Legislatures Fiscal Affairs Program and updated by NAR from various sources 8/15/05."

Since Missouri currently does not impose such a tax, this petition can be viewed as at attempt to ensure that Missouri will not impose such a tax in the future. Since the tax does not presently exist and cannot be imposed in the future, neither of these petitions will have any fiscal impact to the Department of Social Services.

The **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

Officials from the **Office of Administration** (OA) indicated they spoke with officials at the Missouri Department of Revenue, the Missouri Municipal League, and the Missouri Association of Realtors. None of these agencies are aware of any such taxes that currently exist. Therefore, this proposal will have no impact on general and total state revenues or local revenues. In addition, this proposal will have no fiscal impact on the Office of Administration.

Technical Note: The use of the word "for" in the phrase "imposing any tax...for the sale or transfer" seems unusual. Generally, a tax is placed "on" property or income, "for" a benefit or purpose. OA assumes the intent of the proposal is to exempt real estate transactions from taxation.

Officials from the **Missouri House of Representatives** indicated this proposal would have no fiscal impact to the operations budget of their organization.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative petition should not have a fiscal impact on the judiciary.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000

appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

The **Office of the State Public Defender** indicated this petition will not have any impact on the state public defender system.

The **State Treasurer's Office** indicated no fiscal impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

Officials from **Jasper County** indicated adoption of this proposed amendment would have no effect on their entity as they currently do not have a sales tax that applies to sale or transfer of real estate.

Officials from the **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from the **City of St. Louis** indicated they believe that this amendment would have a negative impact on the city because it would take away a potential new revenue source—the tax base of the City of St. Louis, like those of many older industrial cities, has eroded with the loss of 60% of our population and hundreds of thousands of jobs over the five decades from 1950 to 2000. While their population is now growing as is their job base, their existing tax base is not sufficient to support the quality and levels of services that citizens and businesses want and need—particularly in this difficult economy.

The city would certainly not place such a tax before the voters at a time like the present when everyone who owns property is worried about the impact of the recession on property values. However, in the not too recent past, when city property values were escalating, speculators were buying and selling city property at a profit without having done anything to increase the inherent value of the property. Absentee owners of problem city property often cause the city to incur costs that the city cannot recover; these absentee owners also cause incalculable harm to the neighborhoods in which these properties are located. They do not believe, philosophically, that it would be unfair to charge such property owners a percentage of the sale price. Further, there are other situations in which such taxes may be appropriate, as in the case of foreclosed property that is also wreaking havoc with many of their neighborhoods.

In summary, this initiative petition proposes sweeping prohibitions on the types of taxes their city could theoretically impose on the sale or transfer of homes or any other real

estate. While the city has no plans to impose any such taxes at this time, the city does not wish to limit its flexibility as it seeks ways to generate badly needed city revenues and to fairly apportion the cost of city services.

For these reasons, they believe that the impact of this initiative petition on the city will be negative, but they cannot at this time make an accurate estimate of the value of the negative impact.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact to their organization.

**Metropolitan Community College** indicated this proposal would have no fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, the **Missouri Senate**, **Boone County**, **Jackson County**, **St. Louis County**, the **City of Kansas City**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, the **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

It is estimated this proposal will have no costs or savings to state or local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-31)**

**Subject**

Initiative petition from Charles W. Hatfield regarding a proposed constitutional amendment to Article X. (Received July 1, 2009)

**Date**

July 21, 2009

**Description**

This proposal would amend Article X, Section 25 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, the **State Tax Commission**, **Boone County**, **Jackson County**, **Jasper County**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, the **University of Missouri**, **St. Louis Community College**.

**Charles W. Hatfield of Stinson Morrison Hecker LLP** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assume this proposal would have no fiscal impact on their office.

The **Department of Economic Development** indicated no fiscal impact for their department.

The **Department of Elementary and Secondary Education** indicated this initiative petition does not appear to have a fiscal impact on districts' local or state revenue. There appears to be no increased cost to the school foundation formula.

Officials from the **Department of Higher Education** indicated that assuming that the state, counties, and political subdivisions do not currently impose any such taxes, this amendment would have no direct, foreseeable fiscal impact on their department. If that assumption is incorrect, the department would be indirectly impacted if the amendment resulted in lower general revenue collections. The extent of that impact is unknown at this time.

The **Department of Health and Senior Services** indicated no impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated that since the department is not directly funded from taxes and this proposed restriction applies only to the sale or transfer of homes or real estate, implementation of the proposed initiative petition would have no fiscal impact on the department.

The **Department of Natural Resources** indicated this petition prohibits the state, counties, and other political subdivisions from imposing any new tax, including a sales tax for the sale or transfer of homes or any other real estate. After conferring with officials from the Department of Revenue, they concur that it appears that this proposal applies to sales tax on real estate transactions. This would not appear to have a direct fiscal impact on the Department's Parks and Soils Sales Tax Funds.

The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption on items for which this tax is currently being collected would be a loss to the Parks and Soils Sales Tax (PSST) Funds. So, if their interpretation is incorrect and if the proposed prohibition applies to anything that they currently collect PSST Funds there would be an unknown loss to PSST Funds. In that scenario, the department assumes the Department of Revenue would be better able to estimate the exact amount of impact to the PSSTF.

The **Department of Corrections** indicated no impact for their department.

The **Department of Revenue** indicated this initiative petition will not have a fiscal impact on their department. However, they recommended to define the terms, "homes" and "new tax."

The **Department of Public Safety** indicated they see no fiscal impact due to this petition.

The **Department of Social Services** indicated that according to the web site of the National Association of Realtors (NAR), 37 states and the District of Columbia impose real estate transfer taxes. Thirteen states, including Missouri, do not. The NAR cites as their source the "Assessment Journal, International Association of Assessing Officers, November/December 1997; Commerce Clearing House State Tax Guide 2001, compiled by National Conference of State Legislatures Fiscal Affairs Program and updated by NAR from various sources 8/15/05."

Since Missouri currently does not impose such a tax, this petition can be viewed as at attempt to ensure that Missouri will not impose such a tax in the future. Since the tax does not presently exist and cannot be imposed in the future, neither of these petitions will have any fiscal impact to the Department of Social Services.

The **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

Officials from the **Office of Administration** (OA) indicated they spoke with officials at the Missouri Department of Revenue, the Missouri Municipal League, and the Missouri Association of Realtors. None of these agencies are aware of any such taxes that currently exist. Therefore, this proposal will have no impact on general and total state revenues or local revenues. In addition, this proposal will have no fiscal impact on the Office of Administration.

Officials from the **Missouri House of Representatives** indicated this proposal would have no fiscal impact to the operations budget of their organization.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative petition should not have a fiscal impact on the judiciary.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6

million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

The **Office of the State Public Defender** indicated this petition will not have any impact on the state public defender system.

The **State Treasurer's Office** indicated no fiscal impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

Officials from **Jasper County** indicated the proposed amendment would have no financial impact on their entity since they do not have or intend to enact any tax on the sale or transfer of homes or any other real estate.

Officials from the **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from the **City of St. Louis** indicated they believe that this amendment would have a negative impact on the city because it would take away a potential new revenue source—the tax base of the City of St. Louis, like those of many older industrial cities, has eroded with the loss of 60% of our population and hundreds of thousands of jobs over the five decades from 1950 to 2000. While their population is now growing as is their job base, their existing tax base is not sufficient to support the quality and levels of services that citizens and businesses want and need—particularly in this difficult economy.

The city would certainly not place such a tax before the voters at a time like the present when everyone who owns property is worried about the impact of the recession on property values. However, in the not too recent past, when city property values were escalating, speculators were buying and selling city property at a profit without having done anything to increase the inherent value of the property. Absentee owners of problem city property often cause the city to incur costs that the city cannot recover; these absentee owners also cause incalculable harm to the neighborhoods in which these properties are located. They do not believe, philosophically, that it would be unfair to charge such property owners a percentage of the sale price. Further, there are other situations in which such taxes may be appropriate, as in the case of foreclosed property that is also wreaking havoc with many of their neighborhoods.

In summary, this initiative petition proposes sweeping prohibitions on the types of taxes their city could theoretically impose on the sale or transfer of homes or any other real estate. While the city has no plans to impose any such taxes at this time, the city does not wish to limit its flexibility as it seeks ways to generate badly needed city revenues and to fairly apportion the cost of city services.

For these reasons, they believe that the impact of this initiative petition on the city will be negative, but they cannot at this time make an accurate estimate of the value of the negative impact.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact to their organization.

**Metropolitan Community College** indicated this proposal would have no fiscal impact on their organization.

**Mr. Charles W. Hatfield of Stinson Morrison Hecker LLP** provided fiscal impact information as a proponent of the proposal which is summarized as follows:

#### Fiscal Impact

Because this proposal only prohibits new taxes, they will have no fiscal impact on the state of Missouri, counties or political subdivisions.

#### Information Submitted Pursuant to Section 23.140.2, RSMo, and 15 CSR 40-5.010

The cost of the proposed amendment to the state for the next two fiscal years is zero.

The proposed amendment would not establish a new program or agency. Likewise, no duplicative new program or agency will be established.

The proposed amendment is not a federal mandate.

No new program or agency is being created. Likewise, there is no new program or agency that will have a direct fiscal impact on any political subdivision of the state.

No new physical facilities will be required by the proposed amendment.

The proposed amendment will have a positive economic impact on small businesses. Many small businesses own real estate and engage in the business of selling real estate. Reducing taxes on real estate will have a positive economic impact on these businesses.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, the **Missouri Senate**, **Boone County**, **Jackson County**, **St. Louis County**, the **City of Kansas City**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, the **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

It is estimated this proposal will have no costs or savings to state or local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-34)**

**Subject**

Initiative petition from Todd Jones regarding a proposed amendment to Article III of the Missouri Constitution. (Received July 7, 2009)

**Date**

July 27, 2009

**Description**

This proposal would amend Article III, Section 38 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Kansas City, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, the University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

**Brad Ketcher of the Ketcher Law Firm, LLC** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementing the proposed initiative petition would not directly affect their office. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a significant negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that the passage of this constitutional amendment could have significant impact on small technology business growth and development.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

The department also indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Higher Education** indicated this initiative petition would not have a direct, foreseeable fiscal impact on their department. It might, however, have some impact on the public higher education institutions that conduct research with which the department works.

The **Department of Health and Senior Services** indicated no impact for their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated they do not participate in stem cell research, therapies or cures. There should be no fiscal impact resulting from the enactment of this amendment.

The **Department of Natural Resources** does not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated they cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the department due to the provisions of this legislation, the department will incur a corresponding increase in direct offender cost either through incarceration (FY08 average of \$15.64 per offender, per day or an annual cost of \$5,709 per inmate) or through supervision provided by the Board of Probation and Parole (FY08 average of \$2.47 per offender, per day or an annual cost of \$902 per offender).

In summary, supervision by the department through probation or incarceration would result in additional unknown costs to the department. Eighteen (18) persons would have to be incarcerated per each fiscal year to exceed \$100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than \$100,000 per year for the department.

The **Department of Revenue** indicated the petition will not have a fiscal impact on the department.

The **Department of Public Safety** assumed that this initiative petition would have no fiscal impact to the department.

The **Department of Social Services** indicated there is no fiscal impact to their department.

Officials from the **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

The **Office of Administration** indicated there should be no added cost to their office if this constitutional amendment is passed by the voters. The amendment modifies the Missouri Stem Cell Research and Cures Initiative passed by the voters in November 2006. Currently, the provisions prohibit state and local governments from preventing or discouraging lawful research, therapies and cures. If the proposed amendment would pass, the prohibition of state government from preventing or discouraging lawful research, therapies and cures is removed.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative should not have a fiscal impact on the judiciary.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

Officials from the **State Treasurer's Office** indicated this initiative petition does not have a fiscal impact on their office.

Officials from **St. Louis County** indicated this amendment pertains to appropriations of funds for stem cell research. Because St. Louis County has not been involved in this issue, the initiative, if adopted as law, would appear to have no impact on the county.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of St. Louis** indicated that the fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban “human cloning.” In addition to what is commonly thought of as “human cloning”—a practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or “SCNT,” a procedure for medical research or for treating disease that involves replicating (or “cloning”) a patient’s own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as “therapeutic cloning” because the cells are copied for the purpose of providing or developing a therapy for a patient’s disease or injury.

The economy of the City of St. Louis is closely tied to the City’s image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children’s Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the City. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the City will lose \$1.3 million in revenue each year—\$50,000 x 5,300 x 50% x .01 City earnings tax.

As the following table shows, the City’s hospitals alone account for nearly 19,000 jobs in the City, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the City’s 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the City’s colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of our hospitals and our City's ability to attract and retain talent and employers from any industry. Quality of life, in particular quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBs	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
<b>City of St. Louis Totals:</b>	<b>8,000</b>	<b>221,000</b>	<b>10,442,455,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A 10% loss of jobs in the three categories shown in the above table will cost the City more than \$10 million each year in direct loss of the 1% City earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the City growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the City, given the City's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the City

would cost the City an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, we therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the City’s general revenue budget—and countless millions more in indirect revenue. This is a loss that the City cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, “If Missouri does not choose its ‘fork in the road’ consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices.”

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit the scientists necessary to carry out the Institute’s work. If the Institute expands in another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not “human cloning.” Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America’s most respected doctors and scientists.

America’s most respected doctors and scientists believe that “reproductive cloning” should be banned, but that “therapeutic cloning” should be encouraged because it holds great medical promise to lead to cures for debilitating diseases—this is also the current philosophy espoused in the Missouri Constitution. In 2002, forty Nobel Prize Winners sent a letter to members of the U.S. Senate making this important distinction. Nobel Prize-winning Scientist Paul Berg has stated that “cloning humans and ‘therapeutic cloning’ are fundamentally different. The cloning of a human being should be prohibited. Therapeutic cloning, on the other hand, is meant to produce stem cells, not babies.” What the proposed amendment would ban is the same procedure that stem cell research opponents have tried unsuccessfully to ban in the legislature for the past five years. The passage of the “Stem Cell Amendment” in late 2006 ended the legislative battle. That battle has now moved to the voting booth with the proposal for this amendment.

In an effort to help quantify the economic impact of a new effort to undo Missouri's constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the City's bread and butter.

- 55% said the new amendment would make them less likely to keep their company in Missouri
- 45% said it would have no effect
- 0% said it would make them more likely to remain in Missouri
  
- 73% said the new amendment would make it more difficult to recruit scientists and other talent to Missouri
- 18% said it would have no effect
- 9% said it would make it easier to recruit scientists and other talent to Missouri
  
- 73% said the new amendment would make it more difficult to attract investors and capital to their company in Missouri
- 27% said it would have no effect
- 0% said it would make it easier to attract investors
  
- 73% said the new amendment would increase the pressure to relocate their company to another state
- 27% said it would have no effect
- 0% said it would decrease the pressure to relocate
  
- 73% said the new amendment would increase the likelihood that existing companies would avoid Missouri when considering whether to locate here
- 18% said it would help attract companies to Missouri
- 9% said it would have no effect
  
- 82% said the new amendment would make entrepreneurs considering starting a company in Missouri more likely to start their company in another state
- 18% said it would have no effect

- 0% said it would make entrepreneurs more likely to start their company in Missouri

The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

- 100% said the new amendment would make it more difficult to relocate existing companies to Missouri
- 0% said it would be easier to relocate companies to Missouri
- 100% said the new amendment would make it more difficult to establish new companies in Missouri.
- 0% said it would be easier to establish companies in Missouri

It is important to note that none of the surveyed companies or investors is involved in stem cell research. That being the case, these results are evidence of the serious harm that this proposed amendment would wreak, not just on companies involved in stem cell research but on the wide variety of companies in Missouri that depend on scientific research for their survival and growth. Any threat to science of any type creates a chilling environment and negatively affects their business climate.

While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, we believe these results clearly support the above assertions that if the amendment passes the City will lose both existing jobs and new opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the City would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrate, these economies are also very important parts of our future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from the **Rockwood R-VI School District** indicated they do not anticipate any cost or savings to their district as a result of this measure.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

The **University of Missouri** indicated this amendment would alter the Stem Cell Amendment (Amendment 2 from 2006) to allow the legislature to punish universities and hospitals for conducting stem cell research by withholding or reducing funding for other programs and have a significant, negative chilling effect on education, research, and economic development across the University of Missouri (UM) System – at all four campuses and their academic health centers.

The proposed amendment, if passed, is projected to have a profound impact on the University's ability to grow and sustain its research operations and meet and exceed its economic development goals. Critical to fulfilling the University of Missouri's mission as the state's public research university is the ability to recruit and retain top faculty researchers who will contribute to the research enterprise to the ultimate benefit of the state's economy. The perception that the state has a hostile attitude toward research, and thus to academic freedom, can have a dampening effect on recruitment and retention of faculty. This amendment could have a deleterious effect on faculty perceptions and a negative impact on the University's ability to conduct cutting edge research that will extend beyond the life sciences.

Competition nationwide to attract and retain research faculty is exceedingly high. Faculty members consider many factors when deciding whether to stay in current positions or to accept offers from other states, including: supportive environment for research, level of state and private support, institutional reputation, and availability of state-of-the-art research facilities. A study conducted in 2006 by the National Bureau of Economic Research demonstrated the importance of attracting and retaining "research stars". These research stars in turn attracted other research stars that would concentrate in the area - increasing the number of start-up firms and economic activity in the area. The stars and the surrounding start-up firms would generate additional patents and invention disclosures – spinning off economic development with resulting growth in jobs and transforming economic activity in the area. Thus this concentrated effort results in the "rich getting richer" by virtue of the interactive effects of new ideas generating other new ideas. The proposed amendment will seriously impact the University's ability to attract and retain the "stars."

In FY 2007, the University of Missouri generated \$240 million in research expenditures from funding to faculty researchers provided by federal and private sources. The funding primarily provides for the salaries of the researchers and their research staffs, supplies and equipment, and the administrative infrastructure that supports research. Another key element of research funding is providing support for extramural training programs for graduate students and postdoctoral fellows. In a sense, these funds are used to build

future scientists. If one assumes that only half of the University's research funding, or \$120 million, is in jeopardy, the direct financial loss to the University would be significant. This loss would come from top researchers leaving the University to go to institutions where there is an open and supportive climate for research and academic freedom. The economic impact on the state would be even greater because recent economic analysis\* indicates that every \$1.00 in research funding brought into the state generates almost \$2.00 in economic output and every \$1.0 million in research funding supports 17 jobs thus reducing economic output by \$240 million and impacting approximately 2000 jobs.

This amendment could also have an impact on the University's ability to support and grow commercialization of new technologies and the formation of new companies that result from the research. The University has a goal to increase revenues from patents and licenses from \$2.3 million in FY 2006 to \$10 million. This amendment would jeopardize this growth in revenues that would be used by the University to reinvest in research and technology transfer operations and in economic development ventures that benefit the entire state such as the Discovery Ridge research park and the new life sciences incubator in Columbia and the Missouri University of Science and Technology Innovation Park in Rolla. A recent MERIC economic impact analysis on Discovery Ridge indicated that continued investment in this project would yield an economic impact of \$33 billion on the state's economy.

Finally, this amendment, if passed, could have a deleterious affect on the University's ability to continue to attract leading medical researchers and physicians to its medical schools and hospitals in Columbia and Kansas City. This would compromise the ability of the University's academic health centers to sustain high quality health care for citizens in the state and to continue to develop cutting edge treatments for the most life threatening medical conditions. This could result in the loss of patients to our hospitals and clinics as citizens of the state seek health care in other states. The fiscal impact of this is difficult to quantify.

\*Kaufman, J., Kalaitzandonakes, N, and Johnson, T. "The Economic Role of the University of Missouri in the State.

March 18, 2008.

**Missouri Southern State University** indicated there would be no fiscal impact to their organization.

**Missouri Western State University** indicated no fiscal impact on their organization.

Officials from **Northwest Missouri State University** determined that this measure would have no estimated cost or savings impact on their organization.

**Mr. Brad Ketcher of the Ketcher Law Firm, LLC** provided fiscal impact information in opposition to the proposal which is summarized as follows:

STATE IMPACT	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
GSP Reduction	\$280m	\$403m	\$386m
Loss of Stowers Phase II			
State Tax Revenue	\$10.6m	\$15.3m	\$14.7m
Lose of Stowers Phase II (3.8% of GSP)			
GSP Reduction	\$1.7b	\$2.1b	\$2.5b
10% Chilling Effect on R&D			
State Tax Revenue	\$64.6m	\$79.8m	\$95m
10% Chilling Effect of R&D (3.8% of GSP)			
 LOCAL GOVT IMPACT			<u>Annual</u>
KC Loss of Stowers Phase II			\$339k
Personal Income			
KC Loss of Stowers Phase II			\$113k
Earnings Tax			
KC Loss of Personal Income			\$154m
10% Chilling Effect on R&D			
St. Louis Loss of Personal Income			\$331m
10% Chilling Effect on R&D			
Boone Co. Loss of Personal Income			\$20m

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, **Cole County**, **Greene County**, **Jackson County**, the **City of Columbia**, the **City of Kansas City**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **St. Louis Community College**, the **University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Southeast Missouri State University**, **Truman State University**, the **Missouri Technology Corporation**, and the **Missouri Life Sciences Research Board**.

### **Fiscal Note Summary**

This proposal could have a significant negative fiscal impact on state and local governmental entities if state funds for certain research activities are eliminated, reduced, denied, or withheld. However, the total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-35)**

**Subject**

Initiative petition from Todd Jones regarding a proposed amendment to Article III of the Missouri Constitution. (Received July 7, 2009)

**Date**

July 27, 2009

**Description**

This proposal would amend Article III, Section 38 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Kansas City, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, the University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

**Brad Ketcher of the Ketcher Law Firm, LLC** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementing the proposed initiative petition would not directly affect their office. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a significant negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that the passage of this constitutional amendment could have significant impact on small technology business growth and development.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

The department also indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Higher Education** indicated this initiative petition would not have a direct, foreseeable fiscal impact on their department. It might, however, have some impact on the public higher education institutions that conduct research with which the department works.

The **Department of Health and Senior Services** indicated no impact for their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated they do not participate in stem cell research, therapies or cures. There should be no fiscal impact resulting from the enactment of this amendment.

The **Department of Natural Resources** does not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated they cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the department due to the provisions of this legislation, the department will incur a corresponding increase in direct offender cost either through incarceration (FY08 average of \$15.64 per offender, per day or an annual cost of \$5,709 per inmate) or through supervision provided by the Board of Probation and Parole (FY08 average of \$2.47 per offender, per day or an annual cost of \$902 per offender).

In summary, supervision by the department through probation or incarceration would result in additional unknown costs to the department. Eighteen (18) persons would have to be incarcerated per each fiscal year to exceed \$100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than \$100,000 per year for the department.

The **Department of Revenue** indicated the petition will not have a fiscal impact on the department.

The **Department of Public Safety** assumed that this initiative petition would have no fiscal impact to the department.

The **Department of Social Services** indicated there is no fiscal impact to their department.

Officials from the **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

The **Office of Administration** indicated there should be no added cost to their office if this constitutional amendment is passed by the voters. The amendment modifies the Missouri Stem Cell Research and Cures Initiative passed by the voters in November 2006. Currently, the provisions prohibit state and local governments from preventing or discouraging lawful research, therapies and cures. If the proposed amendment would pass, the prohibition of state government from preventing or discouraging lawful research, therapies and cures is removed.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative should not have a fiscal impact on the judiciary.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

Officials from the **State Treasurer's Office** indicated this initiative petition does not have a fiscal impact on their office.

Officials from **St. Louis County** indicated this amendment pertains to appropriations of funds for stem cell research. Because St. Louis County has not been involved in this issue, the initiative, if adopted as law, would appear to have no impact on the county.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of St. Louis** indicated that the fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban “human cloning.” In addition to what is commonly thought of as “human cloning”—a practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or “SCNT,” a procedure for medical research or for treating disease that involves replicating (or “cloning”) a patient’s own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as “therapeutic cloning” because the cells are copied for the purpose of providing or developing a therapy for a patient’s disease or injury.

The economy of the City of St. Louis is closely tied to the City’s image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children’s Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the City. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the City will lose \$1.3 million in revenue each year—\$50,000 x 5,300 x 50% x .01 City earnings tax.

As the following table shows, the City’s hospitals alone account for nearly 19,000 jobs in the City, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the City’s 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the City’s colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of our hospitals and our City's ability to attract and retain talent and employers from any industry. Quality of life, in particular quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBs	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
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A 10% loss of jobs in the three categories shown in the above table will cost the City more than \$10 million each year in direct loss of the 1% City earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the City growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the City, given the City's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the City

would cost the City an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, we therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the City’s general revenue budget—and countless millions more in indirect revenue. This is a loss that the City cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, “If Missouri does not choose its ‘fork in the road’ consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices.”

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit the scientists necessary to carry out the Institute’s work. If the Institute expands in another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not “human cloning.” Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America’s most respected doctors and scientists.

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In an effort to help quantify the economic impact of a new effort to undo Missouri's constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the City's bread and butter.

- 55% said the new amendment would make them less likely to keep their company in Missouri
- 45% said it would have no effect
- 0% said it would make them more likely to remain in Missouri
  
- 73% said the new amendment would make it more difficult to recruit scientists and other talent to Missouri
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- 73% said the new amendment would increase the pressure to relocate their company to another state
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- 0% said it would make entrepreneurs more likely to start their company in Missouri

The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

- 100% said the new amendment would make it more difficult to relocate existing companies to Missouri
- 0% said it would be easier to relocate companies to Missouri
- 100% said the new amendment would make it more difficult to establish new companies in Missouri.
- 0% said it would be easier to establish companies in Missouri

It is important to note that none of the surveyed companies or investors is involved in stem cell research. That being the case, these results are evidence of the serious harm that this proposed amendment would wreak, not just on companies involved in stem cell research but on the wide variety of companies in Missouri that depend on scientific research for their survival and growth. Any threat to science of any type creates a chilling environment and negatively affects their business climate.

While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, we believe these results clearly support the above assertions that if the amendment passes the City will lose both existing jobs and new opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the City would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrate, these economies are also very important parts of our future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from the **Rockwood R-VI School District** indicated they do not anticipate any cost or savings to their district as a result of this measure.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

The **University of Missouri** indicated this amendment would alter the Stem Cell Amendment (Amendment 2 from 2006) to allow the legislature to punish universities and hospitals for conducting stem cell research by withholding or reducing funding for other programs and have a significant, negative chilling effect on education, research, and economic development across the University of Missouri (UM) System – at all four campuses and their academic health centers.

The proposed amendment, if passed, is projected to have a profound impact on the University's ability to grow and sustain its research operations and meet and exceed its economic development goals. Critical to fulfilling the University of Missouri's mission as the state's public research university is the ability to recruit and retain top faculty researchers who will contribute to the research enterprise to the ultimate benefit of the state's economy. The perception that the state has a hostile attitude toward research, and thus to academic freedom, can have a dampening effect on recruitment and retention of faculty. This amendment could have a deleterious effect on faculty perceptions and a negative impact on the University's ability to conduct cutting edge research that will extend beyond the life sciences.

Competition nationwide to attract and retain research faculty is exceedingly high. Faculty members consider many factors when deciding whether to stay in current positions or to accept offers from other states, including: supportive environment for research, level of state and private support, institutional reputation, and availability of state-of-the-art research facilities. A study conducted in 2006 by the National Bureau of Economic Research demonstrated the importance of attracting and retaining "research stars". These research stars in turn attracted other research stars that would concentrate in the area - increasing the number of start-up firms and economic activity in the area. The stars and the surrounding start-up firms would generate additional patents and invention disclosures – spinning off economic development with resulting growth in jobs and transforming economic activity in the area. Thus this concentrated effort results in the "rich getting richer" by virtue of the interactive effects of new ideas generating other new ideas. The proposed amendment will seriously impact the University's ability to attract and retain the "stars."

In FY 2007, the University of Missouri generated \$240 million in research expenditures from funding to faculty researchers provided by federal and private sources. The funding primarily provides for the salaries of the researchers and their research staffs, supplies and equipment, and the administrative infrastructure that supports research. Another key element of research funding is providing support for extramural training programs for graduate students and postdoctoral fellows. In a sense, these funds are used to build

future scientists. If one assumes that only half of the University's research funding, or \$120 million, is in jeopardy, the direct financial loss to the University would be significant. This loss would come from top researchers leaving the University to go to institutions where there is an open and supportive climate for research and academic freedom. The economic impact on the state would be even greater because recent economic analysis\* indicates that every \$1.00 in research funding brought into the state generates almost \$2.00 in economic output and every \$1.0 million in research funding supports 17 jobs thus reducing economic output by \$240 million and impacting approximately 2000 jobs.

This amendment could also have an impact on the University's ability to support and grow commercialization of new technologies and the formation of new companies that result from the research. The University has a goal to increase revenues from patents and licenses from \$2.3 million in FY 2006 to \$10 million. This amendment would jeopardize this growth in revenues that would be used by the University to reinvest in research and technology transfer operations and in economic development ventures that benefit the entire state such as the Discovery Ridge research park and the new life sciences incubator in Columbia and the Missouri University of Science and Technology Innovation Park in Rolla. A recent MERIC economic impact analysis on Discovery Ridge indicated that continued investment in this project would yield an economic impact of \$33 billion on the state's economy.

Finally, this amendment, if passed, could have a deleterious affect on the University's ability to continue to attract leading medical researchers and physicians to its medical schools and hospitals in Columbia and Kansas City. This would compromise the ability of the University's academic health centers to sustain high quality health care for citizens in the state and to continue to develop cutting edge treatments for the most life threatening medical conditions. This could result in the loss of patients to our hospitals and clinics as citizens of the state seek health care in other states. The fiscal impact of this is difficult to quantify.

\*Kaufman, J., Kalaitzandonakes, N, and Johnson, T. "The Economic Role of the University of Missouri in the State.

March 18, 2008.

**Missouri Southern State University** indicated there would be no fiscal impact to their organization.

**Missouri Western State University** indicated no fiscal impact on their organization.

Officials from **Northwest Missouri State University** determined that this measure would have no estimated cost or savings impact on their organization.

**Mr. Brad Ketcher of the Ketcher Law Firm, LLC** provided fiscal impact information in opposition to the proposal which is summarized as follows:

STATE IMPACT	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
GSP Reduction	\$280m	\$403m	\$386m
Loss of Stowers Phase II			
State Tax Revenue	\$10.6m	\$15.3m	\$14.7m
Lose of Stowers Phase II (3.8% of GSP)			
GSP Reduction	\$1.7b	\$2.1b	\$2.5b
10% Chilling Effect on R&D			
State Tax Revenue	\$64.6m	\$79.8m	\$95m
10% Chilling Effect of R&D (3.8% of GSP)			
 LOCAL GOVT IMPACT			<u>Annual</u>
KC Loss of Stowers Phase II			\$339k
Personal Income			
KC Loss of Stowers Phase II			\$113k
Earnings Tax			
KC Loss of Personal Income			\$154m
10% Chilling Effect on R&D			
St. Louis Loss of Personal Income			\$331m
10% Chilling Effect on R&D			
Boone Co. Loss of Personal Income			\$20m

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, **Cole County**, **Greene County**, **Jackson County**, the **City of Columbia**, the **City of Kansas City**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **St. Louis Community College**, the **University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Southeast Missouri State University**, **Truman State University**, the **Missouri Technology Corporation**, and the **Missouri Life Sciences Research Board**.

### **Fiscal Note Summary**

This proposal could have a significant negative fiscal impact on state and local governmental entities if state funds for certain research activities are eliminated, reduced, denied, or withheld. However, the total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-36)**

**Subject**

Initiative petition from Todd Jones regarding a proposed amendment to Article III of the Missouri Constitution. (Received July 7, 2009)

**Date**

July 27, 2009

**Description**

This proposal would amend Article III, Section 38 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Kansas City, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, the University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

**Brad Ketcher of the Ketcher Law Firm, LLC** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementing the proposed initiative petition would not directly affect their office. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a significant negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that passage of this constitutional amendment could have significant negative impact on technology and research-related business growth and development as it would open the door for legislative restrictions on research and development.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, for the reasons set forth above, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

The department also indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri as it will foster the perception that Missouri is a state that is hostile to scientific research. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Higher Education** indicated this initiative petition would not have a direct, foreseeable fiscal impact on their department. It might, however, have some impact on the public higher education institutions that conduct research with which the department works.

The **Department of Health and Senior Services** indicated no impact for their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated they do not participate in stem cell research, therapies or cures. There should be no fiscal impact resulting from the enactment of this amendment.

The **Department of Natural Resources** does not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated they cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the department due to the provisions of this legislation, the department will incur a corresponding increase in direct offender cost either through incarceration (FY08 average of \$15.64 per offender, per day or an annual cost of \$5,709 per inmate) or through supervision provided by the Board of Probation and Parole (FY08 average of \$2.47 per offender, per day or an annual cost of \$902 per offender).

In summary, supervision by the department through probation or incarceration would result in additional unknown costs to the department. Eighteen (18) persons would have to be incarcerated per each fiscal year to exceed \$100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than \$100,000 per year for the department.

The **Department of Revenue** indicated the petition will not have a fiscal impact on the department.

The **Department of Public Safety** assumed that this initiative petition would have no fiscal impact to the department.

The **Department of Social Services** indicated there is no fiscal impact to their department.

Officials from the **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

The **Office of Administration** indicated there should be no added cost to their office if this constitutional amendment is passed by the voters. The amendment repeals the Missouri Stem Cell Research and Cures Initiative passed by the voters in November 2006.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative should not have a fiscal impact on the judiciary.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

Officials from the **State Treasurer's Office** indicated this initiative petition does not have a fiscal impact on their office.

Officials from **St. Louis County** indicated this amendment pertains to appropriations of funds for stem cell research. Because St. Louis County has not been involved in this issue, the initiative, if adopted as law, would appear to have no impact on the county.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of St. Louis** indicated that the fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban "human cloning." In addition to what is commonly thought of as "human cloning"—a

practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or “SCNT,” a procedure for medical research or for treating disease that involves replicating (or “cloning”) a patient’s own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as “therapeutic cloning” because the cells are copied for the purpose of providing or developing a therapy for a patient’s disease or injury.

The economy of the City of St. Louis is closely tied to the City’s image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children’s Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the City. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the City will lose \$1.3 million in revenue each year—\$50,000 x 5,300 x 50% x .01 City earnings tax.

As the following table shows, the City’s hospitals alone account for nearly 19,000 jobs in the City, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the City’s 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the City’s colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of our hospitals and our City’s ability to attract and retain talent and employers from any industry. Quality of life, in particular

quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBs	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
<b>City of St. Louis Totals:</b>	<b>8,000</b>	<b>221,000</b>	<b>10,442,455,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A 10% loss of jobs in the three categories shown in the above table will cost the City more than \$10 million each year in direct loss of the 1% City earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the City growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the City, given the City's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the City would cost the City an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and

research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, we therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the City’s general revenue budget—and countless millions more in indirect revenue. This is a loss that the City cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, “If Missouri does not choose its ‘fork in the road’ consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices.”

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit the scientists necessary to carry out the Institute’s work. If the Institute expands in another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not “human cloning.” Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America’s most respected doctors and scientists.

America’s most respected doctors and scientists believe that “reproductive cloning” should be banned, but that “therapeutic cloning” should be encouraged because it holds great medical promise to lead to cures for debilitating diseases—this is also the current philosophy espoused in the Missouri Constitution. In 2002, forty Nobel Prize Winners sent a letter to members of the U.S. Senate making this important distinction. Nobel Prize-winning Scientist Paul Berg has stated that “cloning humans and ‘therapeutic cloning’ are fundamentally different. The cloning of a human being should be prohibited. Therapeutic cloning, on the other hand, is meant to produce stem cells, not babies.” What the proposed amendment would ban is the same procedure that stem cell research opponents have tried unsuccessfully to ban in the legislature for the past five years. The passage of the “Stem Cell Amendment” in late 2006 ended the legislative battle. That battle has now moved to the voting booth with the proposal for this amendment.

In an effort to help quantify the economic impact of a new effort to undo Missouri’s constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise

collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the City's bread and butter.

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The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

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While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, we believe these results clearly support the above assertions that if the amendment passes the City will lose both existing jobs and new opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the City would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrate, these economies are also very important parts of our future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from the **Rockwood R-VI School District** indicated they do not anticipate any cost or savings to their district as a result of this measure.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

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Competition nationwide to attract and retain research faculty is exceedingly high. Faculty members consider many factors when deciding whether to stay in current positions or to accept offers from other states, including: supportive environment for research, level of state and private support, institutional reputation, and availability of state-of-the-art research facilities. A study conducted in 2006 by the National Bureau of Economic Research demonstrated the importance of attracting and retaining "research stars". These research stars in turn attracted other research stars that would concentrate in the area - increasing the number of start-up firms and economic activity in the area. The stars and the surrounding start-up firms would generate additional patents and invention disclosures – spinning off economic development with resulting growth in jobs and transforming economic activity in the area. Thus this concentrated effort results in the "rich getting richer" by virtue of the interactive effects of new ideas generating other new ideas. The proposed amendment will seriously impact the University's ability to attract and retain the "stars."

In FY 2007, the University of Missouri generated \$240 million in research expenditures from funding to faculty researchers provided by federal and private sources. The funding primarily provides for the salaries of the researchers and their research staffs, supplies and equipment, and the administrative infrastructure that supports research. Another key element of research funding is providing support for extramural training programs for graduate students and postdoctoral fellows. In a sense, these funds are used to build future scientists. If one assumes that only half of the University's research funding, or \$120 million, is in jeopardy, the direct financial loss to the University would be significant. This loss would come from top researchers leaving the University to go to institutions where there is an open and supportive climate for research and academic freedom. The economic impact on the state would be even greater because recent

economic analysis\* indicates that every \$1.00 in research funding brought into the state generates almost \$2.00 in economic output and every \$1.0 million in research funding supports 17 jobs thus reducing economic output by \$240 million and impacting approximately 2000 jobs.

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Finally, this amendment, if passed, could have a deleterious affect on the University's ability to continue to attract leading medical researchers and physicians to its medical schools and hospitals in Columbia and Kansas City. This would compromise the ability of the University's academic health centers to sustain high quality health care for citizens in the state and to continue to develop cutting edge treatments for the most life threatening medical conditions. This could result in the loss of patients to our hospitals and clinics as citizens of the state seek health care in other states. The fiscal impact of this is difficult to quantify.

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March 18, 2008.

**Missouri Southern State University** indicated there would be no fiscal impact to their organization.

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Officials from **Northwest Missouri State University** determined that this measure would have no estimated cost or savings impact on their organization.

**Mr. Brad Ketcher of the Ketcher Law Firm, LLC** provided fiscal impact information in opposition to the proposal which is summarized as follows:

#### STATE IMPACT

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
GSP Reduction	\$280m	\$403m	\$386m
Loss of Stowers Phase II			

State Tax Revenue	\$10.6m	\$15.3m	\$14.7m
Lose of Stowers Phase II (3.8% of GSP)			
GSP Reduction	\$1.7b	\$2.1b	\$2.5b
10% Chilling Effect on R&D			
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KC Loss of Stowers Phase II			\$339k
Personal Income			
KC Loss of Stowers Phase II			\$113k
Earnings Tax			
KC Loss of Personal Income			\$154m
10% Chilling Effect on R&D			
St. Louis Loss of Personal Income			\$331m
10% Chilling Effect on R&D			
Boone Co. Loss of Personal Income			\$20m

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, **Cole County**, **Greene County**, **Jackson County**, the **City of Columbia**, the **City of Kansas City**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **St. Louis Community College**, the **University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Southeast Missouri State University**, **Truman State University**, the **Missouri Technology Corporation**, and the **Missouri Life Sciences Research Board**.

### Fiscal Note Summary

This proposal could have a significant negative fiscal impact on state and local governmental entities due to the repeal of certain research activities currently authorized by the Missouri Stem Cell Research and Cures Initiative in the Missouri Constitution. However, the total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-38)**

**Subject**

Initiative petition from Todd Jones regarding a proposed amendment to Article III of the Missouri Constitution. (Received July 7, 2009)

**Date**

July 27, 2009

**Description**

This proposal would amend Article III, Section 38 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Kansas City, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, the University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

**Brad Ketcher of the Ketcher Law Firm, LLC** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementing the proposed initiative petition would not directly affect their office. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a significant negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that passage of this constitutional amendment could have significant negative impact on technology and research-related business growth and development as it would open the door for legislative restrictions on research and development.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, for the reasons set forth above, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

The department also indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri as it will foster the perception that Missouri is a state that is hostile to scientific research. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Higher Education** indicated this initiative petition would not have a direct, foreseeable fiscal impact on their department. It might, however, have some impact on the public higher education institutions that conduct research with which the department works.

The **Department of Health and Senior Services** indicated no impact for their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated they do not participate in stem cell research, therapies or cures. There should be no fiscal impact resulting from the enactment of this amendment.

The **Department of Natural Resources** does not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated they cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the department due to the provisions of this legislation, the department will incur a corresponding increase in direct offender cost either through incarceration (FY08 average of \$15.64 per offender, per day or an annual cost of \$5,709 per inmate) or through supervision provided by the Board of Probation and Parole (FY08 average of \$2.47 per offender, per day or an annual cost of \$902 per offender).

In summary, supervision by the department through probation or incarceration would result in additional unknown costs to the department. Eighteen (18) persons would have to be incarcerated per each fiscal year to exceed \$100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than \$100,000 per year for the department.

The **Department of Revenue** indicated the petition will not have a fiscal impact on the department.

The **Department of Public Safety** assumed that this initiative petition would have no fiscal impact to the department.

The **Department of Social Services** indicated there is no fiscal impact to their department.

Officials from the **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

The **Office of Administration** indicated there should be no added cost to their office if this constitutional amendment is passed by the voters. The amendment repeals the Missouri Stem Cell Research and Cures Initiative passed by the voters in November 2006.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative should not have a fiscal impact on the judiciary.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

Officials from the **State Treasurer's Office** indicated this initiative petition does not have a fiscal impact on their office.

Officials from **St. Louis County** indicated this amendment pertains to appropriations of funds for stem cell research. Because St. Louis County has not been involved in this issue, the initiative, if adopted as law, would appear to have no impact on the county.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of St. Louis** indicated that the fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban "human cloning." In addition to what is commonly thought of as "human cloning"—a

practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or “SCNT,” a procedure for medical research or for treating disease that involves replicating (or “cloning”) a patient’s own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as “therapeutic cloning” because the cells are copied for the purpose of providing or developing a therapy for a patient’s disease or injury.

The economy of the City of St. Louis is closely tied to the City’s image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children’s Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the City. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the City will lose \$1.3 million in revenue each year—\$50,000 x 5,300 x 50% x .01 City earnings tax.

As the following table shows, the City’s hospitals alone account for nearly 19,000 jobs in the City, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the City’s 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the City’s colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of our hospitals and our City’s ability to attract and retain talent and employers from any industry. Quality of life, in particular

quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBs	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
<b>City of St. Louis Totals:</b>	<b>8,000</b>	<b>221,000</b>	<b>10,442,455,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A 10% loss of jobs in the three categories shown in the above table will cost the City more than \$10 million each year in direct loss of the 1% City earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the City growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the City, given the City's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the City would cost the City an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and

research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, we therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the City’s general revenue budget—and countless millions more in indirect revenue. This is a loss that the City cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, “If Missouri does not choose its ‘fork in the road’ consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices.”

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit the scientists necessary to carry out the Institute’s work. If the Institute expands in another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not “human cloning.” Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America’s most respected doctors and scientists.

America’s most respected doctors and scientists believe that “reproductive cloning” should be banned, but that “therapeutic cloning” should be encouraged because it holds great medical promise to lead to cures for debilitating diseases—this is also the current philosophy espoused in the Missouri Constitution. In 2002, forty Nobel Prize Winners sent a letter to members of the U.S. Senate making this important distinction. Nobel Prize-winning Scientist Paul Berg has stated that “cloning humans and ‘therapeutic cloning’ are fundamentally different. The cloning of a human being should be prohibited. Therapeutic cloning, on the other hand, is meant to produce stem cells, not babies.” What the proposed amendment would ban is the same procedure that stem cell research opponents have tried unsuccessfully to ban in the legislature for the past five years. The passage of the “Stem Cell Amendment” in late 2006 ended the legislative battle. That battle has now moved to the voting booth with the proposal for this amendment.

In an effort to help quantify the economic impact of a new effort to undo Missouri’s constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise

collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the City's bread and butter.

- 55% said the new amendment would make them less likely to keep their company in Missouri
- 45% said it would have no effect
- 0% said it would make them more likely to remain in Missouri
- 73% said the new amendment would make it more difficult to recruit scientists and other talent to Missouri
- 18% said it would have no effect
- 9% said it would make it easier to recruit scientists and other talent to Missouri
- 73% said the new amendment would make it more difficult to attract investors and capital to their company in Missouri
- 27% said it would have no effect
- 0% said it would make it easier to attract investors
- 73% said the new amendment would increase the pressure to relocate their company to another state
- 27% said it would have no effect
- 0% said it would decrease the pressure to relocate
- 73% said the new amendment would increase the likelihood that existing companies would avoid Missouri when considering whether to locate here
- 18% said it would help attract companies to Missouri
- 9% said it would have no effect
- 82% said the new amendment would make entrepreneurs considering starting a company in Missouri more likely to start their company in another state
- 18% said it would have no effect
- 0% said it would make entrepreneurs more likely to start their company in Missouri

The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

- 100% said the new amendment would make it more difficult to relocate existing companies to Missouri
- 0% said it would be easier to relocate companies to Missouri
  
- 100% said the new amendment would make it more difficult to establish new companies in Missouri.
- 0% said it would be easier to establish companies in Missouri

It is important to note that none of the surveyed companies or investors is involved in stem cell research. That being the case, these results are evidence of the serious harm that this proposed amendment would wreak, not just on companies involved in stem cell research but on the wide variety of companies in Missouri that depend on scientific research for their survival and growth. Any threat to science of any type creates a chilling environment and negatively affects their business climate.

While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, we believe these results clearly support the above assertions that if the amendment passes the City will lose both existing jobs and new opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the City would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrate, these economies are also very important parts of our future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from the **Rockwood R-VI School District** indicated they do not anticipate any cost or savings to their district as a result of this measure.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization as a result of this initiative petition.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

The **University of Missouri** indicated this amendment would completely repeal the Stem Cell Amendment (Amendment 2 from 2006) and have a significant, negative chilling effect on education, research, and economic development across the University of Missouri (UM) System – at all four campuses and their academic health centers.

The proposed amendment, if passed, is projected to have a profound impact on the University's ability to grow and sustain its research operations and meet and exceed its economic development goals. Critical to fulfilling the University of Missouri's mission as the state's public research university is the ability to recruit and retain top faculty researchers who will contribute to the research enterprise to the ultimate benefit of the state's economy. The perception that the state has a hostile attitude toward research, and thus to academic freedom, can have a dampening effect on recruitment and retention of faculty. This amendment could have a deleterious effect on faculty perceptions and a negative impact on the University's ability to conduct cutting edge research that will extend beyond the life sciences.

Competition nationwide to attract and retain research faculty is exceedingly high. Faculty members consider many factors when deciding whether to stay in current positions or to accept offers from other states, including: supportive environment for research, level of state and private support, institutional reputation, and availability of state-of-the-art research facilities. A study conducted in 2006 by the National Bureau of Economic Research demonstrated the importance of attracting and retaining "research stars". These research stars in turn attracted other research stars that would concentrate in the area - increasing the number of start-up firms and economic activity in the area. The stars and the surrounding start-up firms would generate additional patents and invention disclosures – spinning off economic development with resulting growth in jobs and transforming economic activity in the area. Thus this concentrated effort results in the "rich getting richer" by virtue of the interactive effects of new ideas generating other new ideas. The proposed amendment will seriously impact the University's ability to attract and retain the "stars."

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economic analysis\* indicates that every \$1.00 in research funding brought into the state generates almost \$2.00 in economic output and every \$1.0 million in research funding supports 17 jobs thus reducing economic output by \$240 million and impacting approximately 2000 jobs.

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Finally, this amendment, if passed, could have a deleterious affect on the University's ability to continue to attract leading medical researchers and physicians to its medical schools and hospitals in Columbia and Kansas City. This would compromise the ability of the University's academic health centers to sustain high quality health care for citizens in the state and to continue to develop cutting edge treatments for the most life threatening medical conditions. This could result in the loss of patients to our hospitals and clinics as citizens of the state seek health care in other states. The fiscal impact of this is difficult to quantify.

\*Kaufman, J., Kalaitzandonakes, N, and Johnson, T. "The Economic Role of the University of Missouri in the State.

March 18, 2008.

**Missouri Southern State University** indicated there would be no fiscal impact to their organization.

**Missouri Western State University** indicated no fiscal impact on their organization.

Officials from **Northwest Missouri State University** determined that this measure would have no estimated cost or savings impact on their organization.

**Mr. Brad Ketcher of the Ketcher Law Firm, LLC** provided fiscal impact information in opposition to the proposal which is summarized as follows:

#### STATE IMPACT

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10% Chilling Effect on R&D			
Boone Co. Loss of Personal Income			\$20m

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, **Cole County**, **Greene County**, **Jackson County**, the **City of Columbia**, the **City of Kansas City**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **St. Louis Community College**, the **University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Southeast Missouri State University**, **Truman State University**, the **Missouri Technology Corporation**, and the **Missouri Life Sciences Research Board**.

### Fiscal Note Summary

This proposal could have a significant negative fiscal impact on state and local governmental entities due to the repeal of certain research activities currently authorized by the Missouri Stem Cell Research and Cures Initiative in the Missouri Constitution. However, the total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-40)**

**Subject**

Initiative petition from Marsha Taylor regarding a proposed amendment to Article I of the Missouri Constitution. (Received July 7, 2009)

**Date**

July 27, 2009

**Description**

This proposal would amend Article I, Section 36 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, Boone County, Cass County, Clay County, Jasper County, St. Charles County, the City of Cape Girardeau, the City of Kansas City, the City of St. Louis, the City of Springfield, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College.

## **Assumptions**

Officials from the **Attorney General's Office** assumed this proposal would have no fiscal impact on their office.

Officials from the **Department of Economic Development** indicated no impact for their office.

The **Department of Higher Education** indicated this initiative petition would not have a direct, foreseeable fiscal impact on their department. It might, however, have some impact on the public institutions of higher education with which the department works.

The **Department of Health and Senior Services** indicated no impact for their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this petition would require health carriers to modify both their contracts for coverage and their contracts with providers. The terms and definitions included are consistent with existing insurance law. Since the department is given no explicit authority in the petition to do anything new, this initiative petition should not have any cost or savings to the department.

The **Department of Mental Health** indicated this initiative petition would, by constitutional amendment, require patients in the State of Missouri to be given the opportunity to use the health care provider of their choice rather than having their health care provider chosen for them by a health carrier (i.e. health insurance company or similar entity). The proposed amendment attempts to prevent a forced choice of health care provider by a health carrier. This would be done by prohibiting any monetary advantage or penalty to any individual based on their choice of healthcare provider or any monetary advantage or penalty to any healthcare provider based on the choice of the individual. The provisions of the proposed amendment do not appear to adversely affect the choices and utilizations of the department; therefore, the department assumes no fiscal impact.

The **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Labor and Industrial Relations** indicated no fiscal impact for their department.

The **Department of Revenue** indicated this initiative will not have a fiscal impact on the department. Since Missouri consolidated Health Care Plan (MCHCP) negotiates health insurance contracts for state employees versus individual departments, they defer to MCHCP and the Office of Administration for a response to this initiative petition and its fiscal impact.

The **Department of Social Services** provided the following summary and analysis of the proposal:

Sections 1, 2 and 3

This proposed amendment states that citizens have the right to select their health care provider instead of their provider being chosen for them by a health carrier. Several definitions are given. The definition of "health benefit plan" specifically includes Missouri Medicaid and Medicare.

Section 4

Health carriers will be prohibited from:

- Imposing a monetary advantage or penalty under a health benefit plan that would affect a beneficiary's choice among those health care providers who participate in the health benefit plan according to the terms offered. This includes higher co-payments; reductions in reimbursement for services; or promotion of one health care provider over another by these methods.
- Imposing any co-payment, fee or condition that is not equally imposed upon all beneficiaries in the same benefit category, class or co-payment level under that health benefit plan when the beneficiary is receiving services from a participant health care provider pursuant to that health benefit plan;
- Prohibiting or limiting a health care provider that is willing to accept the health benefit plan's operating terms and conditions, schedule of fees, covered expenses, and utilization regulations and quality standards, from the opportunity to participate in that plan.

Section 5

Measures that maintain quality and control costs, including gatekeeper plans, as long as such measures are imposed equally are not prevented by this proposal.

Section 6

This proposal should not be construed to require any health insurer to cover any specific health care service nor shall any type of class of provider be excluded from providing a service.

Section 7

This section allows for injunctive relief through a circuit court for any violation of this section.

Section 8

This proposal shall not apply to self-funded or other health benefit plans that are exempt from state regulation by virtue of federal law.

Section 9

These provisions are considered self-executing and all provisions are severable. Any provision found to be in conflict with federal law shall be implemented to the extent allowable.

If this initiative petition passes and the state constitution is changed, costs for the MHD may be sustained in years beyond the years required in the fiscal note request.

The definition of "health benefit plan" in Section 3 specifically includes Missouri Medicaid and Medicare.

Section 4 prohibits health carriers from imposing certain limitations. This section does not apply to the MO HealthNet fee-for-service program because it is not a health carrier. It is assumed that HMOs will require enrollees to stay in network and that HMOs will be able to deny claims for services obtained out of network.

It is assumed that since Missouri Medicaid is specifically included in the definition of "health benefit plan" that the legislation will pertain to HMOs that contract with the state to provide health benefits to MO HealthNet Managed Care participants.

This legislation affects the make-up of the HMO networks and also reduces the ability of the HMOs to negotiate contract terms. MHD recognizes there may be additional costs of doing business for HMOs if this proposal passes and that those costs may be passed on to the MHD. MHD may incur additional costs for an actuarial analysis to determine if capitated rates should be adjusted for the additional costs incurred by the HMO.

If an actuarial analysis is needed it will occur in the first year and is a one-time cost. The cost of the analysis will depend on the number of program changes that will need to be analyzed as well as the complexity of those changes. This cost is unknown but may be as high as \$100,000. Since this is an administrative cost there will be a 50% federal match rate.

It is assumed that if this language is passed on the November 2, 2010 (SFY 2011) ballot and the election results are certified in the following few months then the implementation date would be around January 1, 2011. This falls in the middle of SFY 2011. It is assumed that it will take several months for an actuarial analysis to be obtained and for contracts to be re-negotiated.

FY11: Total cost is unknown < \$100,000 (GR unknown < \$50,000)

FY12: Total cost is unknown

FY13: Total cost is unknown

The **Office of Administration** indicated this initiative provides that a citizen's choice of a health care provider is made by the citizen and not a health carrier. The provisions do not apply to self-funded (Missouri Consolidated Health Care Plan) or other health benefit plans that are exempt from state regulation by federal law. There should be no added cost to the Office of Administration if this constitutional amendment is passed by the voters.

Officials from the **Missouri House of Representatives** indicated this petition will have no fiscal impact to the budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative should not have a fiscal impact on the judiciary.

The **Department of Transportation** indicated this proposal allows all patients the opportunity to select their own health care provider instead of being chosen by the health carrier. The health carrier would not be allowed to impose a monetary advantage or penalty under the health benefit plan that would affect a patient's choice in a health care provider. The monetary advantage or penalty includes a higher co-payment, reduction in reimbursement of services or promotion of one health care provider over another.

The Missouri Department of Transportation/Missouri State Highway Patrol Medical Plan is a self-funded plan and the initiative petition states the change would not apply to self-funded plans. The plan would arguably still be required to comply with the requirements based on the fact that they contract with a third party to provide a network health care providers for our membership.

The third party administrator's contracts with network providers may have different discounted rates. The coinsurance a patient pays is determined by the network discounts and varies based on the contract. This would require a change in all contracts to be identical for similar providers.

There will not be a fiscal impact to the department; however, there would be a financial impact to the plan. The impact cannot be determined and hard to estimate without determining the impact on provider's contract rate.

The proposal would also impact the plan's subscribers who choose a provider based on cost and not by quality of care. A possible example of this would be specialist who could have higher copays/coinsurance than a primary care physician (PCP). A member may choose to go to the PCP rather than a specialist for this reason; therefore, not receiving the care deserved.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's

office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from the **State Treasurer's Office** indicated this initiative petition does not have a fiscal impact on their office.

Officials from **Cass County** indicated this initiative petition would have no impact on their general revenue.

Officials from **Jasper County** indicated an addition of a “Patients Rights Initiative” to the Missouri Constitution would impose new rules on health carriers which could result in an increase in health care premiums. The amount of this increase is unknown and without any information from the health care industry, they do not know how to figure such an increase. Jasper County does not have a self-insured plan and spends \$428,000 per year in health care premiums on behalf of county employees. It is conceivable that premiums could increase anywhere from 50% to 100% in addition to annual increases we have experienced as a result of increased health care costs. It is possible that if this initiative is adopted, the cost of providing health insurance to county employees could increase anywhere from \$250,000 to \$500,000 per year.

Officials from the **Rockwood R-VI School District** indicated they do not believe these provisions would result in any direct costs or savings to their district since they have a self-insured health plan and it appears such plans are exempt. Other districts might be affected if the provisions increased a health carrier's costs of insurance and such cost could be passed along to non self-insured districts.

Officials from **Linn State Technical College** indicated, based on the information presented, if this results in a drastic increase in group health plan insurance rates, there may be a fiscal impact on their organization since the college provides group health insurance to over 150 full time employees.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Corrections**, the **Department of Public Safety**, the **Governor's Office**, **Boone County**, **Clay County**, **St. Charles County**, the **City of Cape Girardeau**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, the **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

It is estimated the Missouri Medicaid program will have one-time state costs of \$50,000 and unknown future costs. Local governmental entities that do not utilize a self-funded or other health benefit plan that is exempt from state regulation by federal law may be adversely affected by the proposal, however, the total costs are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-41)**

**Subject**

Initiative petition from Tim Asher and the Missouri Civil Rights Initiative regarding a proposed constitutional amendment to Article I, Section 36. (Received July 9, 2009)

**Date**

July 29, 2009

**Description**

This proposal would amend Article I of the Missouri Constitution by adding Section 36.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Missouri Lottery**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Public Service Commission**, the **Office of the State Public Defender**, the **Missouri Senate**, the **Secretary of State's Office**, the **State Tax Commission**, the **State Treasurer's Office**, **Boone County**, **St. Louis County**, **Greene County**, the **City of Cape Girardeau**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community Colleges**, the **University of Missouri**, and **St. Louis Community College**.

## **Assumptions**

Officials from the **Attorney General's Office** indicated that any costs associated with the implementation of this proposal can be absorbed with existing resources.

The **Department of Agriculture** indicated no fiscal impact for their department.

Officials from the **Department of Economic Development** indicated this proposal would have no fiscal or administrative impact on their agency. They also indicated it is anticipated that the indirect impact will be significant and negative. Diversity is important in the global marketplace. A law that hampers the state's ability to grow minority businesses and all businesses that are committed to diversity will have a deleterious impact on business growth and, therefore, tax revenues.

Officials from the **Department of Higher Education** indicated this initiative would have no direct, foreseeable fiscal impact on their agency.

The **Department of Health and Senior Services** indicated no fiscal impact for their department.

Officials from the **Department of Mental Health** deferred to the Office of Administration for review and comments on this initiative petition.

The **Department of Natural Resources** indicated that they do not anticipate a direct fiscal impact from this proposal. They assume the department would comply with any nondiscrimination laws/policies as required. Further, they assume the department would be a good actor and, therefore, would not be directly fiscally impacted.

Officials from the **Department of Corrections** indicated no impact.

The **Department of Labor and Industrial Relations** indicated this petition has no direct fiscal impact on their department. Potentially there will be increased work for the Missouri Commission on Human Rights because there may be more claims of reverse discrimination.

The **Department of Revenue** indicated this petition will not have a fiscal impact on their department.

The **Department of Public Safety** assumes no fiscal impact for their department.

Officials from the **Department of Social Services** indicated no fiscal impact on their agency as a result of this initiative petition. The department Human Resource Center indicated that no fiscal impact is expected as a result of the employment provisions in this proposal. The department further indicated that it abides by all state and federal laws relating to discrimination in employment and has a policy in place that prohibits discrimination in the workplace. Therefore, no cost is anticipated.

Also, the department expects no fiscal impact from the public education provision.

With respect to public contracting, there could be a fiscal impact to the department if this proposal were interpreted to negate Executive Order 05-30, which is related to Minority Business Enterprise/Women Business Enterprise (MBE/WBE) participation. Current requests for proposals allow potential vendors to receive up to 10 bonus points if 51% or more of the vendor's employees are certified as minority and/or women. The department indicated that it would look to the Office of Administration for direction on how to manage existing contracts with MBE/WBE participation if the initiative petition passed.

Officials from the **Office of Administration** submitted a joint response in conjunction with the Office of the Governor, Department of Agriculture, Department of Conservation, Department of Corrections, Department of Economic Development, Department of Health and Senior Services, Department of Labor and Industrial Relations, Department of Mental Health, Department of Public Safety, Department of Revenue, Department of Natural Resources, and Department of Insurance, Financial Institutions and Professional Registration.

This petition submits to the voters an amendment prohibiting the state from discriminating against or granting preferential treatment to any individual or group on the basis of race, sex, color, ethnicity or national origin in the operation of public employment, public education or public contracting.

If the amendment passes, there would not be a known fiscal impact on the related departments. However, the Office of Administration would eliminate its Minority and Women Owned Business Program established as part of the criteria in awarding state contracts. Some departments rely upon this program to comply with federal grant program requirements. Also, the Department of Labor and Industrial Relations may potentially experience increased work for the Missouri Commission on Human Rights due to an increased filing of claims alleging reverse discrimination.

It is unknown if this proposed initiative would reduce or increase future contract costs. The proposed initiative may, depending upon interpretation, have other related effects on the procurement process such as the preference for products manufactured or produced in the United States. The Office of Administration notes that the below amounts were paid to Minority Business Enterprises (MBE) and Women Business Enterprises (WBE) for goods and services in the previous five fiscal years, and this proposed initiative may result in a loss of tax revenue from these businesses and have an economic impact on them.

This measure will place Missouri at a competitive disadvantage in the global marketplace, and it will hinder the Department of Economic Development's ability to attract and grow both minority and non-minority owned businesses. Diversity is important in the global market and a law that hampers the state's ability to grow minority businesses and all businesses that are committed to diversity will have a deleterious

impact on business growth, and, therefore, tax revenue.

<u>Fiscal Year</u>	<u>MBE Payments</u>	<u>WBE Payments</u>
2005	\$ 35.9 million	\$15.2 million
2006	\$ 37.3 million	\$17.2 million
2007	\$ 33.1 million	\$10.4 million
2008	\$ 55.7 million	\$19.1 million
2009	\$105.5 million	\$41.9 million

Officials from the **Missouri House of Representatives** indicated that the initiative petition has no fiscal impact to the budget of their organization.

The **Department of Conservation** indicated that no adverse fiscal impact to the department would be expected as a result of this initiative petition.

The **Office of State Courts Administrator** indicated that this initiative petition should not have a fiscal impact on the judiciary.

The **Public Service Commission** indicated there is no fiscal impact on their agency from this initiative.

Officials from the **Office of the State Public Defender** indicated this petition will not have any impact on their agency.

Officials from the **Missouri Senate** indicated this initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

The **State Tax Commission** indicated this petition will not impact their agency.

The **State Treasurer's Office** indicated they see no impact to their office.

The **City of Jefferson** indicated that it does not anticipate any fiscal impact should this petition become law.

The **City of St. Louis** indicated this initiative petition would result in a significant negative fiscal impact to the City for the following reasons.

The language the petition proposes to insert into the Missouri Constitution would prohibit the “granting of preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education or public contracting” by the state and “any political subdivision and any department, agency, commission, board, or other unit of a political subdivision...” Remedies for violation of this section shall be the same as or otherwise available for violations of then-existing Missouri antidiscrimination law.

As you may or may not be aware, a variety of contracting processes in the City of St. Louis operate pursuant to Mayor’s Executive Order #28, as extended. This Executive Order sets forth goals for minority and women’s business participation in work related to City contracts for services, supplies and development incentives, and processes that ensure maximum utilization of minority and women’s businesses in performance pursuant to these contracts.

The purpose of this Executive Order is to provide a narrowly tailored remedy for historic discrimination against minority and women business owners.

In addition, the City is contemplating the adoption of legislation that would require minimum percentages of employment of minorities and women on City public works projects.

The purpose of the contemplated legislation is to provide a narrowly tailored remedy for historic discrimination against minority and women individuals.

Our interpretation of the proposed amendment is that it would (a) prohibit the City from operating pursuant to the Executive Order—e.g., it would prohibit us from setting goals for minority and women’s business participation and from using processes designed to ensure maximum utilization of such businesses, and (b) prohibit us from adopting and implementing any ordinance that required contractors to include percentages of minorities in City public works engagements.

The prohibitions set forth in the proposed amendment would significantly and negatively impact the City’s economy and fiscal health in the following ways.

As you may or may not be aware, more than 50% of the City’s population is comprised of members of minority groups. It is widely if not universally believed that these minority group members—in particular African-Americans—have been victims of discrimination. This belief is supported by fact: objective evidence demonstrates that

minority group members have lower incomes and net worth than non-minority group members, that minority group owners are under-represented in the regional business community, that businesses owned by minority group members have lower earnings than businesses owned by non-minority group members, and that, unless prompted to do so by some sort of government encouragement, non-minorities in a position to offer opportunities to businesses do not typically offer these opportunities to minority businesses. Thus, minority group members in the St. Louis region do not have the same opportunities for either quality jobs or for successful business ownership as do non-minority group members, and this lack of opportunities translates into lower incomes for minority group members.

Since a majority of the City's population is comprised of minority group members, the lack of such opportunities impacts the City's economy and revenues in a significant way. Lower earning potential for individuals means lower disposable incomes, which in turn means lower payroll-based tax revenues and purchase-based sales tax revenues for the City.

At the time of the 2000 Census, the average income of a Caucasian household in the City of St. Louis was approximately \$33,500; the average income of an African-American household in the City was approximately \$21,000. Thus, an average African-American household in the City had an income of approximately \$12,500—or 37%—less than an average Caucasian household. Had this disparity not existed and if these incomes were equalized, the 66,300 African-American households in the City would have had an additional \$835 million in income. This additional \$835 million in income would be subject to the 1% City earnings tax, generating an additional \$8.35 million each year in City revenue. Further, if we conservatively assume that 10% of this additional income would have been spent on goods purchased in the City and subject to the City's 3.1% total sales tax, this additional income would have generated an additional \$2.6 million in City sales tax revenue. If the constitutional amendment passes, it will no longer be possible for the City to use narrowly tailored race-based preferences to address this disparity. Failure to eradicate this disparity will result in a loss of future City revenue. Thus, we estimate the long-term fiscal impact of the proposed constitutional amendment at approximately \$11 million per year, based on incomes at the time of the 2000 census.

For the past decade, the City has implemented narrowly tailored policies that are intended to remedy this discrimination. But this discrimination is firmly rooted and systemic and has existed for centuries rather than decades and cannot be remedied in a few short years. Further, the City is continually fine-tuning these narrowly tailored policies in an effort to achieve more success. We still have a long way to go in equalizing the earning power and opportunities available to our minority citizens. If the proposed initiative petition is successful, the City and other political subdivisions throughout the state would no longer be able to use the power of their governments to address issues of fairness and discrimination in our societies. Discrimination and its economic consequences would continue, jeopardizing the economic and fiscal future of the City and its citizens.

Officials from **Rockwood R-VI School District** indicated no known costs or savings at this time.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization.

**Metropolitan Community Colleges** indicated this petition would have no direct fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Elementary and Secondary Education**, the **Missouri Lottery**, the **Department of Transportation**, **Boone County**, **St. Louis County**, **Greene County**, the **City of Cape Girardeau**, the **City of Kansas City**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, the **University of Missouri**, and **St. Louis Community College**.

### **Fiscal Note Summary**

The total cost or savings to state and local governmental entities is unknown. Most state governmental entities estimate no costs or savings, however, costs or savings related to future contracts are unknown. Some local governments estimate no costs or savings, but prohibition of certain municipal policies may result in unknown costs.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-46)**

**Subject**

Initiative petition from James Harris regarding a proposed constitutional amendment to Article V. (Received August 4, 2009)

**Date**

August 24, 2009

**Description**

This proposal would amend Article V, Section 25 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, **Boone County**, **Clay County**, **Greene County**, **Jackson County**, **St. Louis County**, **Platte County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, the **University of Missouri**, **St. Louis Community College**.

## **Assumptions**

Officials from the **Attorney General's Office** indicated implementation of this proposal would have no fiscal impact on their office.

The **Department of Economic Development** indicated no fiscal impact for their department.

Officials from the **Department of Higher Education** indicated this initiative petition would have no direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated this initiative petition is a no impact note for their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to their department.

The **Department of Natural Resources** indicated their department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated no impact on their department.

The **Department of Revenue** indicated this initiative petition will not have a fiscal impact on their department.

The **Department of Social Services** indicated there is no fiscal impact to their department.

The **Governor's Office** indicated there will be added costs to their office if this amendment is approved. Because of the additional work to receive applications, review applications, screen candidates, interview candidates and conduct reference checks, two additional staff would be required. Total first-year annual costs are estimated at \$135,203 (\$129,225 personal service and \$5,978 expense and equipment costs, including one-time costs of \$5,660).

Officials from the **Office of Administration** indicated there should be no added cost to their office if this constitutional amendment is passed.

Officials from the **Missouri House of Representatives** indicated this proposal would have no fiscal impact to the operations budget of their organization.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative petition would dissolve the Appellate Judicial Commission. The Appellate Judicial Commission annually receives a core appropriation of \$7,741.

The **Department of Transportation** indicated no fiscal impact for their department.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

The **Office of the State Public Defender** indicated this petition will not have any impact on the state public defender system.

The **State Treasurer's Office** indicated no impact on their office.

Officials from the **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from **Rockwood R-VI School District** indicated they see no monetary issues related to this proposal.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact to their organization.

**Metropolitan Community College** indicated this petition would have no fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Missouri Senate**, **Boone County**, **Clay County**, **Greene County**, **Jackson County**, **St.**

**Louis County, Platte County, the City of Kansas City, the City of St. Louis, the City of Springfield, Cape Girardeau 63 School District, Hannibal School District #60, the University of Missouri, St. Louis Community College.**

#### **Fiscal Note Summary**

It is estimated this proposal will have annual costs of \$121,802 – \$129,543 and one-time costs of \$5,660 to state governmental entities. It is estimated this proposal will have no costs or savings to local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-49)**

**Subject**

Initiative petition from Jo Sapp regarding a proposed amendment to Chapter 115 of the Revised Statutes of Missouri. (Received August 31, 2009)

**Date**

September 18, 2009

**Description**

This proposal would amend Chapter 115 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Greene County, Jackson County, Jasper County, St. Charles County, St. Louis County, Taney County, the City of Jefferson, the City of Kansas City, the City of Kirksville, the City of St. Louis, the City of Union, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community College, the University of Missouri, St. Louis Community College.

The State Auditor's Office received input from the **Atchison County**, **Audrain County**, **Benton County**, **Cape Girardeau County**, **Carroll County**, **Cass County**, **Chariton County**, **Christian County**, **Clinton County**, **Cooper County**, **Daviess County**, **DeKalb County**, **Franklin County**, **Grundy County**, **Lawrence County**, **Linn County**, **Livingston County**, **Macon County**, **Monroe County**, **Pettis County**, **Platte County**, **Polk County**, **Scott County**, **Shannon County**, **Vernon County**, **Wayne County**, **Wright County**

**Mr. Robert L. Hess, II** with Husch Blackwell Sanders LLP submitted information on behalf of their client the **Missouri Republican State Committee**

## **Assumptions**

Officials from the **Attorney General's Office** indicated implementation of this proposal would have no fiscal impact on their office.

The **Department of Economic Development** indicated no fiscal impact for their department.

Officials from the **Department of Higher Education** indicated this initiative petition would have no direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated this initiative petition is a no impact note for their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated their department is not involved in the election process. Therefore, there is no fiscal impact to their department.

The **Department of Natural Resources** indicated their department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated no impact on their department.

The **Department of Labor and Industrial Relations** indicated this petition has no fiscal impact on their department.

The **Department of Revenue** indicated this initiative petition will not impact their department.

The **Department of Public Safety** anticipates that this initiative petition would have no fiscal impact on the department.

The **Department of Social Services** indicated this initiative petition does not appear to change their role in assisting with voter registration. Therefore, there is no fiscal impact to their department.

The **Governor's Office** indicated there will be no added costs to their office if this amendment is approved by the voters.

Officials from the **Office of Administration** indicated this proposal will have no fiscal impact on their office. Technical note: The proposed amendment does not repeal or amend Section 115.639.1, RSMo, which requires employers to provide employees three hours away from their employment between the opening and closing of polls for the purpose of voting. However, if this section were repealed or is deemed unnecessary, there would be an estimated statewide savings of \$59,668.

$$\$35,946/2,080 = \$17.28 \times 3,453 = \$59,668$$

\$35,946 average state employee salary  
2,080 annual hours (to convert to hourly wage)  
3,453 state employee voting leave with pay hours during the 2008 general election

Officials from the **Missouri House of Representatives** indicated this proposal would have no fiscal impact to the operations budget of their organization.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative petition should not have a fiscal impact on the judiciary.

The **Department of Transportation** anticipates no fiscal impact from this initiative petition.

Officials with the **Missouri Senate** indicated this initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated they are required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

This measure will require the Secretary of State to reimburse local election authorities for increased costs. The measure will require the Secretary of State to reimburse local election authorities for operating satellite locations, including payment for election judges and the equipment necessary for federal elections.

Based on the current distribution of registered voters, the measure would require 50 satellite sites for advance voting for 17 election authorities using the 50,000 registered voter formula – St. Louis City (5), St. Louis County (15), Kansas City (4), Jackson County (4) and the counties of Cape Girardeau (1), Christian (1), Cole (1), Buchanan (1), Franklin (1), Cass (1), Platte (1), Jasper (1), Boone (2), Clay (3), Jefferson (2), Greene (3), St. Charles (4). The fiscal note assumes that each advance voting satellite voting location would be staffed by four election judges paid \$9 per hour for the 150 hours that

they will be open for advance voting - a total of \$270,000 per election. Election authorities could also incur ongoing costs for maintenance of the satellite locations, including rent, utilities, and broadband internet service, in the approximate amount of \$500 per satellite location for one month or a total of \$25,000 per election.

Local election authorities would incur one-time costs for the purchase of equipment necessary for advance voting at the satellite locations, including accessible voting machines for disabled voters, laptop computers and printers:

1 accessible voting machine per satellite site = \$5,000

2 laptop computers per satellite site = \$1,600

1 ballot on demand printer per satellite site = \$7,500

\$14,100 per satellite site multiplied by 50 satellite sites = \$ 705,000 initial start up costs, of which \$250,000 could be paid for with federal funds under the Help America Vote Act (HAVA).

Advance voting would take approximately half the time to process as walk-in absentees, therefore advance voting at a central location should not result in increased costs to the election authorities, as elections staff would already be available to process walk-in absentee voters.

The effective date of the measure is November 2010 so increased costs would occur to the state upon approval of the voters:

FY 2012 – February 2012 presidential preference primary

Total cost for FY 2012 \$750,000-election subsidy fund

+ \$250,000- HAVA fund

\$1,000,000- Total

FY 2013- August 2012 primary election and November 2012 general election

Total cost for FY 2013 \$590,000-election subsidy fund

Upon request, the Secretary of State provided the following points of clarification:

### **Rent Costs**

Costs were estimated based on a sampling of what four Local Election Authorities would pay in rent, utilities and broadband internet service. These four Local Election Authorities were Christian County (\$176/satellite/early voting period), Cole County (\$525/satellite/early voting period), Jasper County (\$338/satellite/early voting period), and St Louis County (\$1017/satellite/early voting period). The average is approximately \$500. Each of these Local Election Authorities would be impacted by the initiative because of the number of registered voters in those jurisdictions.

### **Payment to Poll workers**

Costs were estimated based on a sampling of stipends paid to poll workers by four Local Election Authorities. These four Local Election Authorities were Jefferson County (\$105/day), St Charles County (\$100/day), St Louis City (\$75/day), and St Louis County (\$85/day). The average is approximately \$9/hour. Each of these Local Election

Authorities would be impacted by the initiative because of the number of registered voters in those jurisdictions.

The **Office of the State Public Defender** indicated this petition will not have any impact on the state public defender system.

The **State Treasurer's Office** indicated this initiative petition does not have an impact on their office.

Officials from **Adair County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 1,300 voters would have used this process in the Presidential Preference Primary, 1,300 voters would have used this process in the General Municipal Election, 960 voters would have used this process in the Primary Election and 4,000 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination of the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$8,000 \text{ salary} + \$2,400 \text{ benefits} = \$10,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$5,200.00 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$10,400.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$100/\text{day} \times 20 = \$8,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$6,000.00
Electronic Poll Books set up	\$1,000.00

Computer	\$2,500.00
Direct phone line rent and set up	\$ 500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$1,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$28,800/Election	\$115,200.00
Voting supplies	\$ 42,000.00
Rent	\$ <u>4,000.00</u>
Total	\$161,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$28,800/Election	\$ 28,800.00
Voting supplies	\$ 10,500.00
Rent	\$ <u>1,000.00</u>
Total	\$ 40,300.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$28,800/Election	\$ 86,400.00
Voting supplies	\$ 31,500.00
Rent	\$ <u>3,000.00</u>
Total	\$120,900.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$28,800/Election	\$ 28,800.00
Voting supplies	\$ 10,500.00
Rent	\$ <u>1,000.00</u>
Total	\$ 40,300.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$28,800/Election	\$115,200.00
Voting supplies	\$ 42,000.00
Rent	\$ <u>4,000.00</u>
Total	\$161,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Callaway County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this “Early Voting” initiative petition be voted into law.

## 2008 Elections

## Presidential Preference Primary February 5, 2008

## General Municipal Election April 8, 2008

## Primary Election August 5, 2008

## General Election November 4, 2008

## Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 3000 voters would have used this process in the Presidential Preference Primary, 1200 voters would have used this process in the General Municipal Election, 2300 voters would have used this process in the Primary Election and 6500 voters would have used this process in the General Election.

## Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

1 staff x \$9,000 salary + \$3,600 benefits = \$12,600.00

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

4 staff x \$5,500.00 (\$4,200 salary + \$1,300 benefits) = \$22,000.00

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

4 Election Judges x \$100/day x 20 = \$16,000.00

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$16,000.00
Electronic Poll Books set up	\$ 2,000.00
Computer	\$ 5,000.00
Direct phone line rent and set up	\$ 3,000.00
Miscellaneous election supplies	\$ 1,000.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$4,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$50,600/Election	\$ 202,400.00
Voting supplies	\$ 108,000.00
Rent	\$ <u>16,000.00</u>
Total	\$326,400.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$50,600/Election	\$ 50,600.00
Voting supplies	\$ 27,000.00
Rent	\$ <u>4,000.00</u>
Total	\$ 81,600.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$50,600/Election	\$151,800.00
Voting supplies	\$ 81,000.00
Rent	\$ <u>12,000.00</u>
Total	\$244,800.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$50,600/Election	\$ 50,600.00
Voting supplies	\$ 27,000.00
Rent	\$ <u>4,000.00</u>
Total	\$ 81,600.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$50,600/Election	\$202,400.00
Voting supplies	\$108,000.00
Rent	\$ <u>16,000.00</u>
Total	\$326,400.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Cole County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 900 voters would have used this process in the Presidential Preference Primary, 600 voters would have used this process in the General Municipal Election, 1750 voters would have used this process in the Primary Election and 3000 voters would have used this process in the General Election.

Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$23,000 \text{ salary} + \$6,541 \text{ benefits} = \$29,500.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$6400.00 (\$6,400 \text{ salary} + \$2,260 \text{ benefits}) = \$17,200.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$8 \text{ Election Judges} \times \$125/\text{day} \times 20 = \$40,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$11,860.00
Electronic Poll Books set up	\$ 1,000.00
Computer	\$ 2,500.00
Direct phone line rent and set up	\$ 1,500.00
Miscellaneous election supplies	\$ 1,000.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:

\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$33,800/Election	\$ 135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$86,740/Election	\$ 86,740.00
Voting supplies	\$ 35,553.00

Rent	\$ <u>2,000.00</u>
Total	\$ 124,239.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$86,740/Election	\$260,220.00
Voting supplies	\$106,659.00
Rent	\$ <u>6,000.00</u>
Total	\$372,879.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$86,740/Election	\$ 86,740.00
Voting supplies	\$ 35,553.00
Rent	\$ <u>2,000.00</u>
Total	\$ 124,293.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$86,740/Election	\$260,220.00
Voting supplies	\$142,212.00
Rent	\$ <u>8,000.00</u>
Total	\$410,432.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Greene County** provided the following cost estimate:

**EXTRA  
STAFF/ELECTION  
JUDGES**

**TRAINING:**

40 judges, times four hours, times \$12 per hour =	1,920.00
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**EARLY VOTING HOURS:**

1st week:	20 judges times 5 days, times 10 hours per day, times \$12	12,000.00
2nd week:	30 judges times 5 days, times 10 hours per day, times \$12	18,000.00
3rd week:	40 judges times 6 days, times 10 hours per day, times \$12	28,800.00

**OFFICE STAFF TIME:** Processing and storing returned ballots.

4 Deputy Clerks times 16 days, times 2 hours, times \$12	1,536.00
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Subtotal	<u>62,256.00</u>
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## EQUIPMENT AND TECHNOLOGY

### VOTING MACHINES:

Program, test and deliver 4 machines to each of 5 locations.	2,000.00
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### COMPUTER AND OTHER EQUIPMENT:

Purchase 20 laptop computers at \$2,000	40,000.00
Install four Internet routers at \$200	800.00
Pay IS Department for set-up and installation	600.00
Purchase 2 lockable storage cabinets for returned ballots	2,000.00
Purchase 80 ballot box/transfer cases at \$200 each	16,000.00
Cell phones	640.00
	Subtotal
	<u>62,040.00</u>

### MISCELLANEOUS COSTS

Polling Place rent (4 locations at \$100 per day for 16 days)	6,400.00
Miscellaneous supplies	1,500.00
Reprogramming and testing DRE's prior to election day	2,000.00
Additional judges on election day to process early votes	360.00
	Subtotal
	<u>10,260.00</u>
	Grand Total:
	<u>\$134,556.00</u>

Assumptions: Greene County expects half of voters in an election to cast early ballots. These votes will be cast over a 16 day period, at five early voting locations (including the Clerk's Office). The costs identified above reflect cost estimates for a major (general) election. Each location will be open eight hours per day for voting, with 4 bi-partisan workers at each site for the 1st week of early voting, and 6 workers at each site for the 2nd week, and 8 workers for the last week and each of the two Saturdays included in the period. Judges will arrive an hour before the site opens, and leave an hour after the site closes. Each judge will be trained 4 hours. Each site will have four laptop computers connected in real-time to the election official's office, to look up voter names and ballot styles. Each location will be provided a cell phone to call the election authority's office. Each site will be equipped with 4 touch screen voting machines which produce a paper trail. Supervisory judges from each party will return voted ballots to the election authority at the end of each day where they will be locked in special cabinets.

As the state would pay costs for Primary and General Elections in even-numbered years, it would be fair to double the Greene County final costs to the state in those years.

It's difficult to estimate the cost to Greene County without some clarification. The initiative isn't clear about whether early voting would be required for all other elections.

If it is required, the costs would be borne by all political subdivisions (schools, cities, fire districts, etc) placing issues and/or candidates on any ballot. Since participation in such elections is usually smaller than Federal ones, overall costs of early voting would be lower as well. However, election costs have been trending upward already for these entities over the last two years thanks to federal mandates. If early voting is mandated by passage of this initiative for all elections, a realistic fiscal note should include its impact on schools, cities, fire districts, etc.

Officials from **Jasper County** indicated that if a constitutional amendment stemming from this petition became law, it would have little effect on the procedures currently in place concerning elections in Jasper County and would result in little, if any, additional costs to implement primarily due to an existing satellite location in Carthage.

Officials from the **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from the **City of Union** indicated this petition does not appear to have a direct financial impact on the city because the petition requires the State of Missouri to pay for any additional election expenses. The cost of the additional requirements upon the State of Missouri could indirectly impact the city by reducing state funding for other needs.

Officials from **Rockwood R-VI School District** indicated no financial implications, cost or savings, are indicated.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact to their organization.

**Metropolitan Community College** indicated this petition would have no fiscal impact on their organization.

Officials from **Atchison County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 461 voters would have used this process in the Presidential Preference Primary, 462 voters would have used this process in the General Municipal Election, 382 voters would have used this process in the Primary Election and 1,000 voters would have used this process in the General Election.

Additional Staffing for EACH Election

Four weeks with election judges in our office to handle the early voting and verifying the ballots at the office.

4 Election Judges per election	
x \$125/day x 20 days =	\$10,000.00

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

No additional needs

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
N/A – Would use the Courthouse

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections	\$ 10,000.00
Voting supplies	0.00
Rent	\$ _____.00
Total	\$ 10,000.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Election at \$ 2,500/Election	\$ 2,500.00
Voting supplies	\$ 0.00
Rent	\$ _____.00
Total	\$ 2,500.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$ 2,500/Election	\$ 7,500.00
Voting supplies	\$ 0.00
Rent	\$ _____.00
Total	\$ 7,500.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Election at \$ 2,500/Election	\$ 2,500.00
Voting supplies	\$ 0.00
Rent	\$ _____.00
Total	\$ 2,500.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections	\$ 10,000.00
Voting supplies	0.00
Rent	\$ _____.00

Total	\$ 10,000.00
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Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent. With no changes being made to the requirements for regular voting, the cost per vote on election day would also increase due to the lower turnout on election day with no reduction in costs for preparing the election. I have not put in additional costs for voting supplies, because at this time there are no guidelines as to what we will be required to do with the ballots at the end of each day, etc. This cost could increase considerably based on the rules and regulations established with the process.

Officials from **Audrain County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one fourth of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 1,200 voters would have used this process in the Presidential Preference Primary, 740 voters would have used this process in the General Municipal Election, 1,100 voters would have used this process in the Primary Election and 2,720 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

1 staff x \$4,800 salary + \$540 benefits = \$5,340

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

2 staff x \$3,560 (\$3,200 salary + \$360 benefits) = \$7,120

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

4 Election Judges x \$125/day x 20 = \$10,000

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$6,000
Palm Pilot Set Up	\$1,000
Miscellaneous election supplies	\$ 1,000

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$1,500

Total Estimated Expenses to implement "Early Voting" for  
4 elections in 2008 would have been:

Additional staffing 4 Elections at \$22,460/Election	\$ 89,840.00
Voting supplies	\$ 32,000.00
Rent	<u>\$ 6,000.00</u>
Total	\$127,840.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$22,460/Election	\$ 22,460.00
Voting supplies	\$ 8,000.00
Rent	<u>\$ 1,500.00</u>
Total	\$ 31,960.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$22,460/Election	\$ 67,380.00
Voting supplies	\$ 24,000.00
Rent	<u>\$ 4,500.00</u>
Total	\$ 95,880.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$22,460/Election	\$ 22,460.00
Voting supplies	\$ 8,000.00
Rent	<u>\$ 1,500.00</u>
Total	\$ 31,960.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$22,460/Election	\$ 89,840.00
Voting supplies	\$ 32,000.00
Rent	<u>\$ 6,000.00</u>
Total	\$127,840.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing  
increases in salary and increased cost of supplies or rent.

Officials from **Benton County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 800 voters would have used this process in the Presidential Preference Primary, 500 voters would have used this process in the General Municipal Election, 1,700 voters would have used this process in the Primary Election and 2,900 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,2600 \text{ salary} + \$785 \text{ benefits} = \$11,045.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$1 \text{ staff} \times \$5170 (\$4,800 \text{ salary} + \$370 \text{ benefits}) = \$5,170.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$100/\text{day} \times 20 = \$8,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$4,000.00
Palm Pilots set up	\$ 500.00
Computer	\$2,500.00
Go Phones for poll location	\$ 400.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$ 400.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$24,215/Election	\$ 96,860.00
Voting supplies	\$ 31,600.00
Rent	\$ <u>400.00</u>
Total	\$128,860.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$24,215/Election	\$ 24,215.00
Voting supplies	\$ 7,900.00
Rent	\$ <u>400.00</u>
Total	\$ 32,515.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$24,215/Election	\$ 72,645.00
Voting supplies	\$ 23,700.00
Rent	\$ <u>1,200.00</u>
Total	\$ 97,545.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$24,215/Election	\$ 24,215.00
Voting supplies	\$ 7,900.00
Rent	\$ <u>400.00</u>
Total	\$ 32,515.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$24,215/Election	\$ 96,860.00
Voting supplies	\$ 31,600.00
Rent	\$ <u>1,600.00</u>
Total	\$130,060.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Cape Girardeau County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
General Municipal Election April 8, 2008  
Primary Election August 5, 2008  
General Election November 4, 2008

Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 6,395 voters would have used this process in the Presidential Preference Primary, 2168 voters would have used this process in the General Municipal Election, 4057 voters would have used this process in the Primary Election and 12,530 voters would have used this process in the General Election.

Additional Staffing for EACH Election

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$3 \text{ staff} \times \$5,200.00 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$15,600.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$110/\text{day} \times 20 = \$8,800.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$2,000.00
Computer	\$2,500.00
Direct phone line rent and set up	\$1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Renovation to comply with requirement to have a "Early Voting site" location:

$$\$4,000.00$$

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$33,800/Election	\$ 97,600.00
Voting supplies	\$ 18,500.00
Renovation	\$ 4,000.00
Total	\$120,100.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$24,400/Election	\$ 73,200.00
Voting supplies	\$ 14,900.00
Renovation (one-time)	\$ 4,000.00
Total	\$ 92,100.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$24,400/Election	\$ 24,400.00
Voting supplies	\$ 4,200.00

Total	\$ 28,600.00
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Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$24,400/Election	\$ 97,600.00
Voting supplies	\$ 16,800.00
Renovation (one-time)	<u>\$ 4,000.00</u>
Total	\$118,400.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Carroll County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections (4)

Presidential Preference Primary February 5, General Municipal Election April 8, Primary Election August 5 and General Election November 4, 2008.

#### Using the 2008 Elections as the template

Assuming a best case/worst case scenario that one third of the voters would have used the "Early Voting" versus voting on election-day in their precinct polling location; they estimate that 550 voters would have used this process in the Presidential Preference Primary, 700 voters would have used this process in the General Municipal Election, 1,100 voters would have used this process in the Primary Election and 2,225 voters would have used this process in the General Election in Carroll County.

#### Additional Staffing for EACH Election

In a third class Township form of government such as Carroll County, Elections management is considered part time and as such, one staff person is dedicated to that part time duty in addition to accounts payables and receivables and budget and financial management responsibilities for the County. In order to implement "Early Voting" in Carroll County, an additional staff member would need to be hired full-time. In addition, extra seasonal help will be necessary during the extended election periods especially in Presidential years. Therefore, additional office staff to oversee the timely coordination of "Early Voting", including but not limited to setting up all procedures, ordering ballots, testing and certifying both optical scan and touch screen election equipment, supervision over the voting process as well as daily verification and ensuring security would be required.

$$1 \text{ fulltime staff} \times \$14,560 \text{ salary} + \$2,155 \text{ benefits} = \$16,715$$

Eight weeks of temporary trained new office personnel to handle the additional early set up and implementation and the increased volume of voters associated with "Early Voting".

2 staff x \$8.00 per hr. x app 500 hrs + benefits) = \$5000.00

Election judges (one Republican, one Democrat) to man "Early Voting" at the central precinct at the Courthouse.

2 Election Judges x \$8.00 per hour x 20 days= \$2,560.00

Additional overtime for current staff for the "Early Voting" Saturdays and extended "Early Voting" hours

3 staff @ 41.75 (average of three salaries per hour) for 20 hours \$835.00

Voting equipment and additional supplies

DRE (Touch screen voting devices)and programming	\$10,000.00
Opt-Tech Optical Scan equipment Lease and programming	\$5,000.00
Lap Top Computer (One- time expense)	\$2,500.00
Electronic Poll Book (One-Time Expense)	\$ 5,000.00
Miscellaneous election supplies and additional security	\$ 1,000.00
	\$23,500.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008:

Additional staffing	\$50,295.00
Voting Equipment, supplies and programming	\$56,500.00
Total	\$106,795.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$16,715/Election	\$ 25,110.00
Voting supplies, equipment and programming	\$ 8,500.00
Total	\$ 33,610.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing for three Elections	\$41,900.00
Voting supplies, equipment and programming	\$25,500.00
Total	\$67,400.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Election	\$25,110.00
Voting supplies, equipment and programming	\$8,500.00
Total	\$ 33,610.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections	\$50,295.00
Voting supplies, equipment and programming	\$34,000.00

Total		\$84,295.00
Totals		
2008	\$106,795.00	
2009	\$33,610.00	
2010	\$67,400.00	
2011	\$33,610.00	
2012	\$84,295.00	
Grand Total for five years	*	\$325,710.00

\*Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary (COLA's) as well as increased costs of supplies and/or maintenance associated with purchase of new equipment.

Officials from **Cass County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
General Municipal Election April 8, 2008  
Primary Election August 5, 2008  
General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 5,850 voters would have used this process in the Presidential Preference Primary, 3,900 voters would have used this process in the General Municipal Election, 11,375 voters would have used this process in the Primary Election and 19,500 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with temporary office administrators to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,000 \text{ salary} + \$3,400 \text{ benefits} = \$13,400.00$$

Eight weeks with temporary office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$5,200.00 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$10,400.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$8 \text{ Election Judges} \times \$125/\text{day} \times 20 = \$20,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$16,000.00
Electronic Poll Books set up	\$ 2,000.00
Computer	\$ 5,000.00
Direct phone line rent and set up	\$ 3,000.00
Miscellaneous election supplies	\$ 1,000.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$43,800/Election	\$175,200.00
Voting supplies	\$108,000.00
Rent	\$ <u>8,000.00</u>
Total	\$291,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$43,800/Election	\$ 43,800.00
Voting supplies	\$ 27,000.00
Rent	\$ <u>2,000.00</u>
Total	\$ 72,800.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$43,800/Election	\$131,400.00
Voting supplies	\$ 81,000.00
Rent	\$ <u>6,000.00</u>
Total	\$218,400.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$43,800/Election	\$ 43,800.00
Voting supplies	\$ 27,000.00
Rent	\$ <u>2,000.00</u>
Total	\$ 72,800.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$43,800/Election	\$175,200.00
Voting supplies	\$108,000.00
Rent	\$ <u>8,000.00</u>
Total	\$291,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Chariton County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 662 voters would have used this process in the Presidential Preference Primary, 473 voters would have used this process in the General Municipal Election, 523 voters would have used this process in the Primary Election and 1426 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Office administrator to oversee the timely coordination of the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

1 staff x \$1,750 salary + \$250 benefits =	\$2,000.00
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Four weeks with election judges to test election equipment, handle the early voting and verify the ballots at the office.

#### Early Voting

4 Election Judges x \$195/day x 14 =	\$5,320.00
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#### Verifying/Testing

4 Election Judges x \$95/day x 1 =	\$380.00
2 Election Judges x \$95/day x 1/2 =	\$95.00

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices)/Optical scan programming	\$ 600.00
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Print Poll Books	\$ 100.00
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Miscellaneous election supplies	\$ 500.00
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Voting Location Rent to comply with requirement to have a "Early Voting site" location:

\$700.00
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Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$7,795/Election	\$ 31,180.00
Voting supplies 4 Elections at \$1,200/Election	\$ 4,800.00
Rent 4 Elections at \$700/Election	\$ <u>2,800.00</u>
Total	\$ 38,780.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$7,795/Election	\$ 7,795.00
Voting supplies	\$ 1,200.00
Rent	\$ <u>700.00</u>
Total	\$ 9,695.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$7,795/Election	\$23,385.00
Voting supplies	\$ 3,600.00
Rent	\$ <u>2,100.00</u>
Total	\$29,085.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$7,795/Election	\$ 7,795.00
Voting supplies	\$ 1,200.00
Rent	\$ <u>700.00</u>
Total	\$ 9,695.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$7,795/Election	\$ 31,180.00
Voting supplies	\$ 4,800.00
Rent	\$ <u>2,800.00</u>
Total	\$ 38,780.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Christian County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 13,727 voters would have used this process in the Presidential Preference Primary, 13,983 voters would have used this process in the General Municipal Election, 14,137 voters would have used this process in the Primary Election and 14,596 voters would have used this process in the General Election.

### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,000 \text{ salary} + \$3,400 \text{ benefits} = \$13,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$5,200.00 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$10,400.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$125/\text{day} \times 20 = \$10,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,000.00
Purchase of Electronic Poll Books	\$5,000.00
Electronic Poll Books set up	\$1,000.00
Computer	\$2,500.00
Direct phone line rent and set up	\$1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location: for a 1,000 square feet of office space the rental rate is \$ 1.50 a square foot per month (a thousand square feet would cost \$1,500.00 per month) for one eight week period prior to each election the cost would be \$ 3,000.00

$$\$ 3,000.00$$

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$33,800/Election	\$135,200.00
Voting supplies	\$ 59,000.00
Rent	\$ <u>12,000.00</u>
Total	\$ 206,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 18,500.00
Rent	\$ <u>3,000.00</u>
Total	\$ 55,300.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$33,800/Election	\$101,400.00
Voting supplies	\$ 45,500.00
Rent	\$ <u>9,000.00</u>
Total	\$155,900.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 18,500.00
Rent	\$ <u>3,000.00</u>
Total	\$ 55,300.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$33,800/Election	\$135,200.00
Voting supplies	\$ 59,000.00
Rent	\$ <u>12,000.00</u>
Total	\$206,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Clinton County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 300 voters would have used this process in the Presidential Preference Primary, 200 voters would have used this process in the General Municipal

Election, 300 voters would have used this process in the Primary Election and 900 voters would have used this process in the General Election.

Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$9,000 \text{ salary} + \$2,720 \text{ benefits} = \$10,720.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$1 \text{ staff} \times \$5,360.00 (\$4,000 \text{ salary} + \$1,360 \text{ benefits}) = \$5,360.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$100/\text{day} \times 20 = \$8,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,000.00
Electronic Poll Books set up	\$1,000.00
Computer	\$2,500.00
Direct phone line rent and set up	\$1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$1,500.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$24,080/Election	\$ 96,320.00
Voting supplies	\$ 54,000.00
Rent	\$ 6,000.00
Total	\$ 156,320.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$24,080/Election	\$ 24,080.00
Voting supplies	\$ 13,500.00
Rent	\$ 1,500.00
Total	\$ 39,080.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$24,080/Election	\$72,240.00
Voting supplies	\$ 40,500.00
Rent	\$ <u>4,500.00</u>
Total	\$117,240.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$24,080/Election	\$ 24,080.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>1,500.00</u>
Total	\$ 39,080.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$24,080/Election	\$ 96,320.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>6,000.00</u>
Total	\$156,320.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Cooper County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 900 voters would have used this process in the Presidential Preference Primary, 600 voters would have used this process in the General Municipal Election, 1,750 voters would have used this process in the Primary Election and 3,000 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,000 \text{ salary} + \$3,400 \text{ benefits} = \$13,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

2 staff x \$5,200.00 (\$4,000 salary + \$1,200 benefits) = \$10,400.00

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

4 Election Judges x \$125/day x 20 = \$10,000.00

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,000.00
Electronic Poll Books set up	\$1,000.00
Computer	\$2,500.00
Direct phone line rent and set up	\$1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$33,800/Election	\$135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 49,300.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$33,800/Election	\$101,400.00
Voting supplies	\$ 40,500.00
Rent	\$ <u>6,000.00</u>
Total	\$156,700.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>

Total	\$ 49,300.00
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Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$33,800/Election	\$135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Daviess County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Advance Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
 General Municipal Election April 8, 2008  
 Primary Election August 5, 2008  
 General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Advance Voting" proposed in this "Advance Voting" initiative petition versus voting on election-day in their precinct polling location. They estimate that 540 voters would have used this process in the Presidential Preference Primary, 265 voters would have used this process in the General Municipal Election, 400 voters would have used this process in the Primary Election and 1,250 voters would have used this process in the General Election.

#### Costs in subsequent years

Daviess County does not own extra equipment to comply with an "advance voting" site. Also, the voting would be held at a central location, as there are less than 6,000 registered voters in the County.

#### *Start-up costs:*

Additional optical scanner and touch screen with maintenance agreements and licensing	\$20,000.00
Electronic poll book & computer	5,000.00
Additional dedicated phone line installed	750.00
<b>TOTAL START-UP COSTS</b>	<b>\$25,750.00</b>

#### *Staff Costs per election:*

1 staff eight weeks to oversee early voting	4,500.00
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1 1/2 OT paid for Saturdays	
4 election judges @ \$125.00 per day x 24 days	12,000.00

*Voting Supplies per election:*

Publications	150.00
Additional ballots, programming etc	5,000.00
Misc. supplies	500.00
Equipment	600.00

TOTAL ADDITIONAL COSTS PER ELECTION	\$22,750.00
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If “advance voting” is required at elections, the approximate costs in Daviess County would be:

<u>2010</u>	April	\$48,500.00 (includes start-up costs)
	August	22,750.00
	November	<u>22,750.00</u>
	<b>TOTAL ADDITIONAL</b>	<b>\$94,000.00</b>

<u>2011</u>	April	\$22,750.00
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<u>2012</u>	February	\$22,750.00
	April	22,750.00
	August	22,750.00
	November	<u>22,750.00</u>
	<b>TOTAL ADDITIONAL</b>	<b>\$91,000.00</b>

These estimates have not been adjusted to reflect inflation.

Officials from **DeKalb County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this “Early Voting” initiative petition be voted into law.

2008 Elections

Presidential Preference Primary February 5, 2008  
General Municipal Election April 8, 2008  
Primary Election August 5, 2008  
General Election November 4, 2008

Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this “Early Voting” initiative petition versus voting on election day in their precinct polling location. They estimate that 150 voters would have used this process in the Presidential Preference Primary, 100 voters would have used this process in the General Municipal

Election, 300 voters would have used this process in the Primary Election and 500 voters would have used this process in the General Election. Although a small county has fewer voters it still has to pay the same expenses for salary and benefits for part-time help.

Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,000 \text{ salary} + \$3,400 \text{ benefits} = \$13,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$5,200.00 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$10,400.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$75/\text{day} \times 20 = \$6,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$ 8,000.00
Electronic Poll Books set up	\$ 1,000.00
Computer	\$ 2,500.00
Direct phone line rent and set up	\$ 1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$29,800/Election	\$ 119,200.00
Voting supplies	\$ 54,000.00
Rent	\$ 8,000.00
Total	\$181,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$29,800/Election	\$ 29,800.00
Voting supplies	\$ 13,500.00
Rent	\$ 2,000.00
Total	\$ 45,300.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$29,800/Election	\$ 89,400.00
Voting supplies	\$ 40,500.00
Rent	\$ <u>6,000.00</u>
Total	\$135,900.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$29,800/Election	\$ 29,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 45,300.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$50,600/Election	\$119,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$181,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Franklin County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
 General Municipal Election April 8, 2008  
 Primary Election August 5, 2008  
 General Election November 4, 2008

#### Using the 2008 Election as the template

If we assume one third of the voters would have used the "Early Voting" method proposed in this "Early Voting" initiative petition, versus voting on election day in their assigned precinct polling location, I estimate that 7,261 voters would have used this process in the Presidential Preference Primary; 3,305 voters would have used this process in the General Municipal Election; 4,295 voters would have used this process in the Primary Election and 14,907 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with temporary office administrators to oversee the timely coordination of the entire process, including but not limited to setting up all procedures and touch screen election equipment.

2 staff-Supervisors @ \$7,500.00	\$ 15,000.00
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Eight weeks with temporary office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

2 staff-@\$6,200.00	\$12,400.00
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Four weeks with election judges to handle the early voting and verifying the ballots at a designated off-site location.

8 Election Judges x \$125/day	\$20,000.00
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Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$16,000.00
Electronic Poll Books set up	\$ 2,000.00
Computer	\$ 5,000.00
Direct phone line rent and set up	\$ 3,000.00
Miscellaneous election supplies	\$ 1,000.00
5 Electronic Pollbooks (One time expense)	\$17,500.00

Voting Location Rent to comply with requirement to have an "Early Voting" location:  
\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$47,400/Election	\$189,600.00
Voting supplies	\$108,000.00
Rent	\$ 8,000.00
One time expense for electronic poll books	<u>\$ 17,500.00</u>
Total	\$323,100.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$47,400/Election	\$ 47,400.00
Voting supplies	\$ 27,000.00
Rent	<u>\$ 2,000.00</u>
Total	\$ 76,400.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$47,400/Election	\$142,200.00
Voting supplies	\$ 81,000.00
Rent	<u>\$ 6,000.00</u>
Total	\$229,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$47,400/Election	\$ 47,400.00
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Voting supplies	\$ 27,000.00
Rent	\$ 2,000.00
Total	\$ 76,400.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$47,400/Election	\$189,600.00
Voting supplies	\$108,000.00
Rent	\$ 8,000.00
Total	\$305,600.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent. The staffing costs are based on an estimate of hours to include polls open 7:00A.M. to 7:00 P.M and 4 hours on Saturday/Sunday. These hours are in keeping with the hours outlined in the proposed petition and for the sole purpose of convenience to the voter.

Officials from **Grundy County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election Year as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this petition versus voting on Election Day in their precinct polling location, I estimate that 115 voters would have used this process in the Presidential Preference Primary, 635 voters would have used this process in the General Municipal Election, 650 voters would have used this process in the Primary Election and 1,500 voters would have used this process in the General Election.

#### Requirements for EACH election:

##### 1. Additional Staffing

Eight weeks with new office personnel to handle the additional early set up and the increased volume of paper work generated with "Early Voting".

$$1 \text{ staff} \times \$2,600.00 (\$2,380 \text{ salary} + \$220 \text{ benefits}) = \$2,600.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office (Two & a half weeks of voting plus one & a half weeks of preparation and verification).

$$2 \text{ Election Judges} \times \$70/\text{day} \times 20 = \$2,800.00$$

2. Voting supplies/programming

These are needed to comply with the requirement to have proper voting devices at the early voting location:

M100 programming	\$1,000.00
Electronic Poll Book programming	\$1,000.00
Miscellaneous election supplies	\$ 500.00

3. Voting Location Rent

To comply with requirement to have an "Early Voting site" location:

13 days x \$100/day	\$1,300.00
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4. Equipment delivery/security

M100 and AutoMarks must be delivered daily and/or properly secured at the "Early Voting" location

13 days x \$50/day	\$ 650.00
TOTAL FOR EACH ELECTION:	\$9,850.00

ONE TIME expenses to purchase additional equipment

M100 precinct counter	\$7,000.00
Electronic Poll Book	\$5,000.00
TOTAL FOR ONE TIME EXPENSES:	\$12,000.00

<u>Annual maintenance of added equipment</u>	\$ 750.00
TOTAL ADDED EQUIPMENT:	\$ 750.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Cost per election:	\$9,850.00
X 4 elections in 2008	\$39,400.00
Plus annual expenses	\$ 750.00
Plus added equipment	\$12,000.00
GRAND TOTAL ADDED EXPENSE FOR 2008	\$52,150.00

This would have been in addition to the \$39,821.56 already spent for the 4 elections held in 2008!

One election in 2009 would cost an additional \$10,600.00

Three elections in 2010 would cost an additional \$32,550.00

One election in 2011 would cost an additional \$10,600.00

Four elections in 2012 would cost an additional \$40,150.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Lawrence County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law:

2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Special Election June 3, 2008

Primary Election August 5, 2008

General Election November 4, 2008

Using the 2008 Election as the template:

Assuming thirty five percent (35%) of the voters would have used the "Early Voting" proposed in this initiative petition versus voting on Election Day in their precinct polling location. (In some states, the number has been as high as 50%) I estimate that 3,000 voters would have used this process in the Presidential Preference Primary, 1,200 voters would have used this process in the General Municipal Election, 2,100 voters would have used this process in the Primary Election and 5,8000 voters would have used this process in the General Election.

Additional Staffing for EACH Election

Eight weeks with new office staff to oversee the timely coordination of the entire process including but not limited to setting up all procedures, ordering ballots, training poll workers, and testing both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$11,000 \text{ salary} + \$3,300 \text{ benefits} = \$14,300.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$1 \text{ staff} \times \$10,000.00 (\$10,000 \text{ salary} + \$3,000 \text{ benefits}) = \$10,300.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$100/\text{day} \times 20 = \$8,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$6,000.00
Electronic Poll Books set up	\$2,000.00
Computer	\$2,000.00
Direct phone line rent and set up	\$1,000.00
Miscellaneous election supplies	\$1,200.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$1,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$32,600/Election	\$130,400.00
Voting supplies	\$ 48,800.00
Rent	\$ <u>4,000.00</u>
Total	\$183,200.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$32,600/Election	\$ 97,800.00
Voting supplies	\$ 36,600.00
Rent	\$ <u>3,000.00</u>
Total	\$137,400.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$32,600/Election	\$ 32,600.00
Voting supplies	\$ 12,200.00
Rent	\$ <u>1,000.00</u>
Total	\$ 45,800.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$32,600/Election	\$130,400.00
Voting supplies	\$ 48,800.00
Rent	\$ <u>4,000.00</u>
Total	\$183,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation, which will cause uncalculated increases in salary and increased costs of supplies and rent.

Officials from **Linn County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

2008 Elections  
Presidential Preference Primary February 5, 2008  
General Municipal Election April 8, 2008  
Primary Election August 5, 2008  
General Election November 4, 2008

Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 267 voters would have used this process in the Presidential Preference Primary, 219 voters would have used this process in the General Municipal Election, 366 voters would have used this process in the Primary Election and 1,750 voters would have used this process in the General Election.

Additional Staffing

A temporary full time person for at least eight weeks at minimum wage would cost around \$6,000.00

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$2,500.00 (\$5,000 \text{ benefits of } \$800.00) = \$5,800.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$88/\text{day} \times 20 = \$1,760.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$ 7,000.00
Electronic Poll Books set up	\$ 4,000.00
Computer	\$ 2,000.00
Miscellaneous election supplies	\$ 500.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$13,560/Election	\$ 54,240.00
Voting supplies	<u>\$ 54,000.00</u>
Total	\$108,240.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Staffing	\$ 13,560.00
Voting supplies	<u>\$ 13,500.00</u>
Total	\$ 27,060.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Staffing	\$ 40,680.00
Voting supplies	<u>\$ 40,500.00</u>
Total	\$ 81,180.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Staffing	\$ 13,560.00
Voting supplies	\$ <u>13,500.00</u>
Total	\$ 27,060.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Staffing	\$ 54,240.00
Voting supplies	\$ 54,000.00
Total	\$108,240.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Livingston County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this legislation versus voting on Election Day in their precinct polling location. They estimate that 900 voters would have used this process in the Presidential Preference Primary, 600 voters would have used this process in the General Municipal Election, 900 voters would have used this process in the Primary Election and 3,000 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,000 \text{ salary} + \$3,400 \text{ benefits} = \$13,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$5,200.00 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$10,400.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$125/\text{day} \times 20 = \$10,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,000.00
Electronic Poll Books set up	\$1,000.00
Computer	\$2,500.00
Direct phone line rent and set up	\$1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:

\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$33,800/Election	\$135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 49,300.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$33,800/Election	\$101,400.00
Voting supplies	\$ 40,500.00
Rent	\$ <u>6,000.00</u>
Total	\$156,700.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 49,300.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$33,800/Election	\$135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Macon County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 995 voters would have used this process in the Presidential Preference Primary, 951 voters would have used this process in the General Municipal Election, 990 voters would have used this process in the Primary Election and 2,265 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Five weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

1 staff x \$1,408.20 (\$4,200 salary) =	\$ 1,408.20
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Four weeks with election judges to handle the early voting and verifying the ballots at the office.

4 Election Judges x \$48/day x 20 =	\$ 3,8400.00
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Voting supplies to comply with requirement to have proper voting devices at the early voting location:

Automark Programming	\$ 1,000.00
Electronic Poll Books set up	\$ 1,000.00
Computer	\$ 2,500.00
Phone Card	\$ 20.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$500.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$5,248.20/Election	\$ 20,992.80
Voting supplies	\$ 10,080.00

Purchase Computer	\$ 2,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 35,572.80

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$5,248.20/Election	\$ 5,248.20
Voting supplies	\$ 2,520.00
Rent	\$ <u>500.00</u>
Total	\$ 8,268.20

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$5,248.20/Election	\$ 15,744.60
Voting supplies	\$ 7,560.00
Rent	\$ <u>1,500.00</u>
Total	\$ 24,804.60

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$5,248.20/Election	\$ 5,248.20
Voting supplies	\$ 2,520.00
Rent	\$ <u>500.00</u>
Total	\$ 8,268.20

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$5,248.20/Election	\$ 20,992.80
Voting supplies	\$ 10,080.00
Rent	\$ <u>2,000.00</u>
Total	\$ 33,072.80

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Monroe County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
 General Municipal Election April 8, 2008  
 Primary Election August 5, 2008  
 General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling

location. They estimate that 641 voters would have used this process in the Presidential Preference Primary, 482 voters would have used this process in the General Municipal Election, 735 voters would have used this process in the Primary Election and 1460 voters would have used this process in the General Election.

Additional Staffing for EACH Election

Eight weeks with new part time office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$5000 \text{ salary} + \$400 \text{ Fica} = \$5,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$1 \text{ staff} \times \$2,560 \text{ (\$2,560 salary + \$196)} = \$2,756.$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$90 \times 20 = \$7,200.$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$2,000.00
Computer	\$1,200.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$500.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$15,356/Election	\$ 61,424.00
Voting supplies	\$ 14,800.00
Rent	\$ 2,000.00
Total	\$ 78,224.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$15,356/Election	\$ 15,356.00
Voting supplies	\$ 3,700.00
Rent	\$ 500.00
Total	\$ 19,556.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$15,356/Election	\$ 46,068.00
Voting supplies 3 at 3,700.	11,100.00
Rent 3 @\$500	<u>1,500.00</u>
Total	\$ 58,668.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$15,356./Election	\$ 15,356.00
Voting supplies	\$ 3,700.00
Rent	\$ <u>500.00</u>
Total	\$ 19,556.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$15,356/Election	\$ 61,424.00
Voting supplies	\$ 14,800.00
Rent	\$ <u>2,000.00</u>
Total	\$ <u>78,224.00</u>

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies and rent.

Officials from **Pettis County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
General Municipal Election April 8, 2008  
Primary Election August 5, 2008  
General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 9126 voters would have used this process in the Presidential Preference Primary, 8603 voters would have used this process in the General Municipal Election, 9179 voters would have used this process in the Primary Election and 8806 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$2 \text{ staff} \times \$1,972 \text{ salary} + \$320 \text{ benefits} = \$4,264.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

4 Election Judges x 140 hours/\$7.25 per hr = \$4,060.00

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,000.00
Miscellaneous election supplies	\$ 500.00
Total	\$8,500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$0

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$33,800/Election	\$ 33,296.00
Voting supplies	\$ 34,000.00
Rent	\$ 0.00
Total	\$ 67,296.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$33,800/Election	\$ 8320.00
Voting supplies	\$ 8,500.00
Rent	\$ 0.00
Total	\$16,824.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$33,800/Election	\$ 24,972.00
Voting supplies	\$ 25,500.00
Rent	\$ 0.00
Total	\$ 50,472.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$33,800/Election	\$ 8,324.00
Voting supplies	\$ 8,500.00
Rent	\$ 0.00
Total	\$16,824.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$33,800/Election	\$ 33,296.00
Voting supplies	\$ 34,000.00
Rent	\$ 0.00

Total	\$ 67,296.00
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Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Platte County** provided the following cost estimate:  
Using 2008 as typical example of anticipated costs that would have been incurred should the “Early Voting” initiative petition have been voted into law.

#### 2008 Elections

Presidential Preference Primary (federal) February 5, 2008

General Municipal Election (local/County) April 8, 2008

Primary Election (federal) August 5, 2008

General Election (federal) November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the “Early Voting” process proposed in this “Early Voting” initiative petition versus voting on election day in their precinct polling location. Note: In odd numbered years, Platte County averages 3 elections.

#### Office/Central Location Expenses:

4 election judges @ \$100/day x 15 days of advance voting period	\$6,000.00
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1 Touch Screen Tech @ \$100/day x 15 days of advance voting period	\$1,500.00
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FICA (7.65% x salaries) \$573.75 rounded up to \$574.00	\$574.00
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Workers Compensation Insurance Premium on Salary	\$90.00
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Optical Scan Ballots: 11,000 x \$0.30/each	\$3,300.00
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Shipping of ballots	
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\$300.00	
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Provisional Ballots: 200 x \$0.30/each	\$60.00
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Shipping (included with optical scan ballot shipping amount above.)	
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Miscellaneous election supplies	
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\$300.00	
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Sub-Total for one election:	\$12,124.00
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#### Satellite Location Expenses:

4 election judges @ \$100/day x 15 days of advance voting period	\$6,000.00
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1 Touch Screen Tech @ \$100/day x 15 days of advance voting period	\$1,500.00
--	------------

FICA (7.65% x salaries) \$573.75 rounded up to \$574.00	\$574.00
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Workers Compensation Insurance Premium on Salary	\$90.00
--	---------

Optical Scan Ballots: 11,000 x \$0.30/each	\$3,300.00
--	------------

Shipping of ballots	\$300.00
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Provisional Ballots: 200 x \$0.30/each	\$60.00
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Shipping (included with optical scan ballot shipping amount above.)

Deputy/Staff Salary for on-site supervision:

\$16/hr x 13 days x 8 hrs = \$1,664.00

\$24/hr x 16 hrs for overtime hours worked on Saturdays = \$384.00

Benefits (FICA & retirement on salary) = \$300.00

Sub-total for Staff:	\$2,348.00
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Miscellaneous election supplies	\$300.00
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Office Rent and CAM fees for one month	\$7,000.00
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Utilities for one month (Gas/Electric/Water)	\$450.00
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Cleaning fees for one month	\$450.00
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Telephone setup/monthly fee	\$275.00
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DSL setup/monthly fee	\$325.00
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Sub-Total for one election:	\$22,972.00
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One-time Expenses:

Workstation w/ screen or laptop:	\$3,000.00
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Printer	\$1,200.00
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Cables	\$200.00
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Sub-Total for one time Satellite location expenses:	\$4,400.00
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Total Estimated Expenses to implement “Early Voting” for 4 elections in 2008 would have been:

Central Location expenses \$12,124 x 4 =	\$48,496.00
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Satellite Location expenses \$22,972.00 x 4 =	\$91,888.00
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One-Time expenses	<u>\$4,400.00</u>
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Total:	\$144,784.00
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Total Estimated Expenses to implement “Early Voting” for 3 elections in 2009.

Central Location expenses \$12,124 x 3 =	\$36,372.00
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Satellite Location expenses \$22,972.00 x 3 =	<u>\$68,916.00</u>
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Total:	\$105,287.00
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Total Estimated Expenses to implement “Early Voting” for 4 elections in 2010.

Central Location expenses \$12,124 x 4 =	\$48,496.00
Satellite Location expenses \$22,672.00 x 4 =	<u>\$91,888.00</u>
Total:	\$140,384.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2011.

Central Location expenses \$12,124 x 3 =	\$36,372.00
Satellite Location expenses \$22,672.00 x 3 =	<u>\$68,916.00</u>
Total:	\$105,287.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012.

Central Location expenses \$12,124 x 4 =	\$48,496.00
Satellite Location expenses \$22,672.00 x 4 =	<u>\$90,688.00</u>
Total:	\$140,384.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased costs of supplies, rent and utilities.

Officials from **Polk County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
General Municipal Election April 8, 2008  
Primary Election August 5, 2008  
General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 2500 voters would have used this process in the Presidential Preference Primary, 1000 voters would have used this process in the General Municipal Election, 1800 voters would have used this process in the Primary Election and 4600 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

1 staff x \$10,000 salary + \$3,400 benefits =	\$13,400.00
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Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

2 staff x \$5,200.00 (\$4,000 salary + \$1,200 benefits) = \$10,400.00
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Four weeks with election judges to handle the early voting and verifying the ballots at the office.

4 Election Judges x \$125/day x 20 =	\$10,000.00
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Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$ 8,000.00
Electronic Poll Books set up	\$ 1,000.00
Computer	\$ 2,500.00
Direct phone line rent and set up	\$ 1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$33,800/Election	\$ 135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 49,300.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$33,800/Election	\$101,400.00
Voting supplies	\$ 40,500.00
Rent	\$ <u>6,000.00</u>
Total	\$156,700.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 49,300.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$50,600/Election	\$135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Scott County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
 General Municipal Election April 8, 2008  
 Primary Election August 5, 2008  
 General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on Election Day in their precinct polling location. They estimate that 3,000 voters would have used this process in the Presidential Preference Primary, 1,200 voters would have used this process in the General Municipal Election, 2,250 voters would have used this process in the Primary Election and 6,100 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,000 \text{ salary} + \$3,400 \text{ benefits} = \$13,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$5,200.00 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$10,400.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$100/\text{day} \times 20 = \$8,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,200.00
Electronic Poll Books set up	\$1,000.00
Computer	\$2,500.00

Direct phone line rent and set up	\$1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$31,800/Election	\$127,200.00
Voting supplies	\$ 54,800.00
Rent	\$ <u>8,000.00</u>
Total	\$190,000.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$31,800/Election	\$ 31,800.00
Voting supplies	\$ 13,700.00
Rent	\$ <u>2,000.00</u>
Total	\$ 47,500.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$31,800/Election	\$ 95,400.00
Voting supplies	\$ 41,100.00
Rent	\$ <u>6,000.00</u>
Total	\$142,500.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$31,800/Election	\$ 31,800.00
Voting supplies	\$ 13,700.00
Rent	\$ <u>2,000.00</u>
Total	\$ 47,500.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$31,800/Election	\$127,200.00
Voting supplies	\$ 54,800.00
Rent	\$ <u>8,000.00</u>
Total	\$190,000.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Shannon County** provided the following cost estimate:  
Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

## 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 90 voters would have used this process in the Presidential Preference Primary, 400 voters would have used this process in the General Municipal Election, 615 voters would have used this process in the Primary Election and 1,300 voters would have used this process in the General Election.

### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

1 staff x \$10,000 salary + \$3,400 benefits =                   \$13,400.00

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

2 staff x \$5,200.00 (\$4,000 salary + \$1,200 benefits) = \$10,400.00

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

4 Election Judges x \$87/day x 20 =                   \$6,960.00

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,000.00
Accu-Vote Ballot Set-Up and printing	\$3,000.00
Direct phone line rent and set up	\$1,500.00
Miscellaneous election supplies	\$ 800.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$30,760/Election	\$123,040.00
Voting supplies	\$ 53,200.00
Rent	\$ <u>8,000.00</u>

Total	\$184,240.00
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Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$30,760/Election	\$ 30,760.00
Voting supplies	\$ 13,300.00
Rent	\$ <u>2,000.00</u>
Total	\$ 46,060.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$30,760/Election	\$ 92,280.00
Voting supplies	\$ 39,900.00
Rent	\$ <u>6,000.00</u>
Total	\$138,180.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$30,760/Election	\$ 30,760.00
Voting supplies	\$ 13,300.00
Rent	\$ <u>2,000.00</u>
Total	\$ 46,060.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$30,760/Election	\$123,040.00
Voting supplies	\$ 53,200.00
Rent	\$ <u>8,000.00</u>
Total	\$184,240.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Vernon County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008

General Municipal Election April 8, 2008

Primary Election August 5, 2008

General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 1,498 voters would have used this process in the Presidential

Preference Primary, 834 voters would have used this process in the General Municipal Election, 1,227 voters would have used this process in the Primary Election and 2,991 voters would have used this process in the General Election.

Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,000 \text{ salary} + \$3,400 \text{ benefits} = \$13,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$5,200.00 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$10,400.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ Election Judges} \times \$125/\text{day} \times 20 = \$10,000.00$$

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,000.00
Electronic Poll Books set up	\$1,000.00
Computer	\$2,500.00
Direct phone line rent and set up	\$1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$2,000.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$33,800/Election	\$135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 49,300.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$33,800/Election	\$101,400.00
Voting supplies	\$ 40,500.00
Rent	\$ <u>6,000.00</u>
Total	\$156,700.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$33,800/Election	\$ 33,800.00
Voting supplies	\$ 13,500.00
Rent	\$ <u>2,000.00</u>
Total	\$ 49,300.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$33,800/Election	\$135,200.00
Voting supplies	\$ 54,000.00
Rent	\$ <u>8,000.00</u>
Total	\$197,200.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Wayne County** provided the following cost estimate:

Using 2008 as a typical example of what costs will be incurred should this "Early Voting" initiative petition be voted into law.

#### 2008 Elections

Presidential Preference Primary February 5, 2008  
 General Municipal Election April 8, 2008  
 Primary Election August 5, 2008  
 General Election November 4, 2008

#### Using the 2008 Election as the template

Assuming one third of the voters would have used the "Early Voting" proposed in this "Early Voting" initiative petition versus voting on election day in their precinct polling location. They estimate that 1,180 voters would have used this process in the Presidential Preference Primary, 440 voters would have used this process in the General Municipal Election, 650 voters would have used this process in the Primary Election and 2,100 voters would have used this process in the General Election.

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

1 staff x \$4,800 salary + \$1,200 benefits =	\$6,000.00
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Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

2 staff x \$4,900.00 (\$4,000 salary + \$900 benefits) = \$9,800.00

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

4 Election Judges x \$125/day x 20 = \$10,000.00

Voting supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$ 1,000.00
Electronic Poll Books set up	\$ 1,000.00
Computer	\$ 2,500.00
Direct phone line rent and set up	\$ 1,000.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with requirement to have a "Early Voting site" location:  
\$1,200.00

Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 Elections at \$25,800/Election	\$103,200.00
Voting supplies	\$ 24,000.00
Rent	\$ <u>4,800.00</u>
Total	\$132,000.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2009:

Additional staffing 1 Elections at \$25,800/Election	\$ 25,800.00
Voting supplies	\$ 6,000.00
Rent	\$ <u>1,200.00</u>
Total	\$ 33,000.00

Total Estimated Expenses to implement "Early Voting" for 3 elections in 2010:

Additional staffing 3 Elections at \$25,800/Election	\$ 77,400.00
Voting supplies	\$ 18,000.00
Rent	\$ <u>3,600.00</u>
Total	\$ 99,000.00

Total Estimated Expenses to implement "Early Voting" for 1 election in 2011:

Additional staffing 1 Elections at \$25,800/Election	\$ 25,800.00
Voting supplies	\$ 6,000.00
Rent	\$ <u>1,200.00</u>

Total	\$ 33,000.00
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Total Estimated Expenses to implement "Early Voting" for 4 elections in 2012:

Additional staffing 4 Elections at \$25,800/Election	\$103,200.00
Voting supplies	\$ 24,000.00
Rent	\$ <u>4,800.00</u>
Total	\$132,000.00

Years 2009, 2010, 2011 and 2012 have not been adjusted to reflect inflation causing increases in salary and increased cost of supplies or rent.

Officials from **Wright County** provided the following cost estimate:

Based on the 2008 elections, if one third of the voters use early voting Wright County would have the following number of early voters for each election:

Presidential Preference Primary - 1,556

General Municipal Election – 568

Primary Election - 1,529

General Election - 2,836

#### Additional Staffing for EACH Election

Eight weeks with new office administrator to oversee the timely coordination of the entire process including but not limited to setting up all procedures, ordering ballots and test both optical scan and touch screen election equipment.

$$1 \text{ staff} \times \$10,000 \text{ salary} + \$3,400 \text{ benefits} = \$13,400.00$$

Eight weeks with new office personnel to handle the additional early set up, the increased volume of absentee voting paper work generated with "Early Voting".

$$2 \text{ staff} \times \$5,200 (\$4,000 \text{ salary} + \$1,200 \text{ benefits}) = \$10,400.00$$

Four weeks with election judges to handle the early voting and verifying the ballots at the office.

$$4 \text{ election judges} \times \$125/\text{day} \times 20 = \$10,000.00$$

Voting Supplies to comply with requirement to have proper voting devices at the early voting location:

DRE (Touch screen voting devices) programming	\$8,000.00
Electronic Poll Books set up	\$1,000.00
Computer	\$2,500.00
Direct phone line set up and rent	\$1,500.00
Miscellaneous election supplies	\$ 500.00

Voting Location Rent to comply with the requirement to have a "Early Voting site" location:

Rent	-	\$2,000.00
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Total Estimated Expenses to implement "Early Voting" for 4 elections in 2008 would have been:

Additional staffing 4 elections at \$33,800/election	\$135,200.00
Voting Supplies	\$ 54,000.00
Rent	<u>\$ 8,000.00</u>
TOTAL	\$197,200.00

The cost to Wright County for running elections has already been substantially increased due to the Help America Vote Act (HAVA) legislation and the requirements of handicap accessible voting equipment and second chance voting. Wright County has experienced a decrease in revenues for 2008 due to sales tax declines and a drop in fees for services such as recording property transfers. Wright County cannot afford the additional cost associated with "early voting".

**Mr. Robert L. Hess, II** with Husch Blackwell Sanders indicated his information was on behalf of the **Missouri Republican State Committee**, which, at this time, has not taken a position on the measure. They concluded this initiative petition will impose significant new costs on state and local government in excess of \$1,000,000 with additional ongoing costs for all future elections and the initiative petition does not provide new revenue to fund these costs.

The **State Auditor's Office** assumes that 50 satellite voting sites will be required. Additional counties may decide to establish a satellite location, but are not required to do so, and therefore not included in the cost estimate.

One-time estimated costs:

\$705,000 for local election authorities to equip the satellite locations at \$14,100 per satellite

On-going estimated costs (for each federal election):

\$315,000 for 4 election judges at each of the satellite locations for 15 days at \$105 per day

\$50,850 for maintenance of the satellite locations, including rent, utilities, and broadband internet service at \$1,017 per satellite

\$96,600 for 4 election judges at each central voting location (114 counties plus the City of St. Louis) for 2 days (two Saturdays/Sundays required in the time period) at \$105 per day

Total estimated costs:

\$705,000 one-time + \$462,450 on-going (for each federal election) = \$1,167,450

The estimated costs for any given fiscal year will fluctuate based on the number of federal elections. In FY 2011 there are no federal elections after the effective date of the proposal, so accordingly, state costs are estimated to be \$0. In FY 2012 there is 1 federal election with estimated costs of \$705,000 (one-time) plus \$462,450 (on-going) for a total of \$1,167,450. In FY 2013 there are 2 federal elections with estimated costs of \$924,900.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, **Boone County**, **Cass County**, **Clay County**, **Jackson County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Kansas City**, the **City of Kirksville**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, the **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

It is estimated state governmental entities will incur costs of \$1,167,450 in fiscal year 2012 (one-time costs of \$705,000 and on-going costs for each federal election of \$462,450). Local governmental entities may incur additional costs for non-federal elections and satellite voting sites depending on the decisions of the election authority.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-51)**

**Subject**

Initiative petition from Marsha Taylor regarding a proposed amendment to Article I of the Missouri Constitution. (Received September 8, 2009)

**Date**

September 28, 2009

**Description**

This proposal would amend Article I, Section 36 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, Boone County, Cass County, Clay County, Jasper County, St. Charles County, the City of Cape Girardeau, the City of Kansas City, the City of St. Louis, the City of Springfield, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, Missouri Consolidated Health Care Plan.

**Mr. Larry Rohrbach** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that any potential costs arising from this proposal can be absorbed with existing resources.

The **Department of Higher Education** indicated this initiative petition would have no direct, foreseeable fiscal impact on their department

The **Department of Health and Senior Services** indicated no impact for their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this petition would require health carriers to modify both their contracts for coverage and their contracts with providers. This initiative petition should not have any cost or savings to the department.

The **Department of Mental Health** indicated this initiative petition would give the citizens of the State of Missouri the right to choose their health care provider rather than it being chosen for them by a health carrier. It would prohibit health carriers from giving monetary advantages or imposing penalties that would affect an individual's choice of health care provider including higher co-payments, reduced reimbursements, or other methods designed to affect an individual beneficiary's choice of health care provider. The provisions of the proposed amendment do not appear to adversely affect the choices and utilizations of department consumers; therefore, the department assumes no fiscal impact.

The **Department of Corrections** indicated no fiscal impact.

The **Department of Labor and Industrial Relations** indicated if this petition is passed it is likely to have a fiscal impact on their department. They defer to the Office of Administration or the Missouri Consolidated Health Care Plan for cost estimates.

The **Department of Revenue** indicated this initiative does not have an impact on the department.

The **Department of Public Safety** assumes this proposal would have no fiscal impact on their department.

The **Department of Social Services** provided the following summary and analysis of the proposal:

*Sections 1, 2 and 3*

This proposed amendment states that citizens have the right to select their health care provider instead of their provider being chosen for them by a health carrier. Several definitions are given. The definition of "health benefit plan" specifically includes Missouri Medicaid and Medicare.

*Section 4*

Health carriers will be prohibited from:

- Imposing a monetary advantage or penalty under a health benefit plan that would affect a beneficiary's choice among those health care providers who participate in the health benefit plan according to the terms offered. This includes higher co-payments; reductions in reimbursement for services; or promotion of one health care provider over another by these methods.
- Imposing any co-payment, fee or condition that is not equally imposed upon all beneficiaries in the same benefit category, class or co-payment level under that health benefit plan when the beneficiary is receiving services from a participant health care provider pursuant to that health benefit plan;
- Prohibiting or limiting a health care provider that is willing to accept the health benefit plan's operating terms and conditions, schedule of fees, covered expenses, and utilization regulations and quality standards, from the opportunity to participate in that plan.

Section 5

Measures that maintain quality and control costs, including gatekeeper plans, as long as such measures are imposed equally are not prevented by this proposal.

Section 6

This proposal should not be construed to require any health insurer to cover any specific health care service nor shall any type of class of provider be excluded from providing a service.

Section 7

This section allows for injunctive relief through a circuit court for any violation of this section.

Section 8

This proposal shall not apply to self-funded or other health benefit plans that are exempt from state regulation by virtue of federal law.

Section 9

These provisions are considered self-executing and all provisions are severable. Any provision found to be in conflict with federal law shall be implemented to the extent allowable.

If this initiative petition passes and the state constitution is changed, costs for the MHD may be sustained in years beyond the years required in the fiscal note request.

The definition of "health benefit plan" in Section 3 specifically includes Missouri Medicaid and Medicare.

Section 4 prohibits health carriers from imposing certain limitations. This section does not apply to the MO HealthNet fee-for-service program because it is not a health carrier. It is assumed that HMOs will require enrollees to stay in network and that HMOs will be able to deny claims for services obtained out of network.

It is assumed that since Missouri Medicaid is specifically included in the definition of "health benefit plan" that the legislation will pertain to HMOs that contract with the state to provide health benefits to MO HealthNet Managed Care participants.

This legislation affects the make-up of the HMO networks and also reduces the ability of the HMOs to negotiate contract terms. MHD recognizes there may be additional costs of doing business for HMOs if this proposal passes and that those costs may be passed on to the MHD. MHD may incur additional costs for an actuarial analysis to determine if capitated rates should be adjusted for the additional costs incurred by the HMO.

If an actuarial analysis is needed it will occur in the first year and is a one-time cost. The cost of the analysis will depend on the number of program changes that will need to be analyzed as well as the complexity of those changes. This cost is unknown but may be as high as \$100,000. Since this is an administrative cost there will be a 50% federal match rate.

It is assumed that if this language is passed on the November 2, 2010 (SFY 2011) ballot and the election results are certified in the following few months then the implementation date would be around January 1, 2011. This falls in the middle of SFY 2011. It is assumed that it will take several months for an actuarial analysis to be obtained and for contracts to be re-negotiated.

FY11: Total cost is unknown < \$100,000 (GR unknown < \$50,000)

FY12: Total cost is unknown

FY13: Total cost is unknown

The **Governor's Office** indicated there will be no added costs to their office if this amendment is approved by the voters.

The **Office of Administration** indicated this initiative provides that a citizen's choice of a health care provider is made by the citizen and not a health carrier. The provisions do not apply to self-funded or other health benefit plans that are exempt from state regulation by federal law. There should be no added costs to the Office of Administration if this constitutional amendment is passed by the voters.

Although the amendment provides for a specific exclusion of self funded plans, such as the Missouri Consolidated Health Care Plan (MCHCP), it could hamper MCHCP's ability to negotiate volume discounts and rate reductions with the provider community. Therefore, it is possible that MCHCP could see substantial increases in its costs of health care to which those costs will be passed on to the state, its employees and its retirees.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative should not have a fiscal impact on the judiciary.

The **Department of Transportation** indicated this proposal allows all patients the opportunity to select their own health care provider instead of being chosen by the health

carrier. The health carrier would not be allowed to impose a monetary advantage or penalty under the health benefit plan that would affect a patient's choice in a health care provider. The monetary advantage or penalty includes a higher co-payment, reduction in reimbursement of services or promotion of one health care provider over another.

The Missouri Department of Transportation/Missouri State Highway Patrol (MoDOT/MSHP) Medical Plan is a self-funded plan and the initiative petition states the change would not apply to self-funded plans. The plan would arguably still be required to comply with the requirements based on the fact that they contract with a third party to provide a network health care providers for our membership.

The third party administrator's contracts with network providers may have different discounted rates. The coinsurance a patient pays is determined by the network discounts and varies based on the contract. This would require a change in all contracts to be identical for similar providers.

The impact cannot be determined and is hard to estimate without determining the impact on provider's contract rate.

The proposal would also impact the plan's subscribers who choose a provider based on cost and not by quality of care. A possible example of this would be specialist who could have higher copays/coinsurance than a primary care physician (PCP). A member may choose to go to the PCP rather than a specialist for this reason; therefore, not receiving the care deserved.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from the **State Treasurer's Office** indicated this initiative petition has no impact on their office.

Officials from **Cass County** indicated they see no fiscal impact on their general revenue budget with this proposed initiative.

Officials from **Jasper County** indicated an addition of a “Patients Rights Initiative” to the Missouri Constitution would impose new rules on health carriers which could result in an increase in health insurance premiums. Without additional information the amount of this increase is difficult to calculate. Jasper County spends \$428,000 per year in health insurance premiums on behalf of county employees. It is conceivable that premiums could increase anywhere from 50% to 100% if this initiative were to be adopted. An increase of this magnitude translates to anywhere from \$250,000-\$500,000 per year in additional health insurance costs.

Officials from the **City of Cape Girardeau** indicated the possibility of some impact, but the cost is unknown.

Officials from the **City of St. Louis** indicated they currently expend \$32 million from the general fund for employee health insurance. They believe that the proposed amendment would have a negative fiscal impact on the City of St. Louis ranging from a total of an additional \$32 million to \$62 million in health care costs. They believe the amendment would have the fiscal impact of effectively eliminating essential services or force the city to stop providing employee health insurance all together.

Officials from the **Rockwood R-VI School District** indicated no cost or savings is expected from this initiative petition.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact to their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

Officials from **Missouri Consolidated Health Care Plan** (MCHCP) indicated the MCHCP would not be affected as MCHCP will be completely self-funded (e.g., self-insured) by January 1, 2010. MCHCP foresees no fiscal impact.

**Mr. Larry Rohrbach** provided fiscal impact information in opposition to the proposal. Mr. Rohrbach cited a study from the Federal Trade Commission, legislative fiscal notes, and an actuarial study by Milliman indicating that MCHCP and MO HealthNet should expect 7.4% - 11.7% and 5.4% - 9.6% increases, respectively, with additional costs to the state for these two programs that will exceed \$129 million per year. He further asserts other costs would increase the state's cost even further and local governments would also experience multi-million dollar cost increases.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Natural Resources**, the **Missouri House of Representatives**, **Boone County**, **Clay County**, **St. Charles County**, the **City of Kansas City**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, the **University of Missouri**, and **St. Louis Community College**.

### **Fiscal Note Summary**

It is estimated the Missouri Medicaid program will have one-time costs of \$100,000 and unknown future costs. State and local governmental entities that do not utilize a self-funded or other health benefit plan that is exempt from state regulation by federal law may be adversely affected, however, the total costs are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-52)**

**Subject**

Initiative petition from Todd Jones regarding a proposed amendment to Article III of the Missouri Constitution. (Received September 14, 2009)

**Date**

October 2, 2009

**Description**

This proposal would amend Article III, Section 38 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Tax Commission**, the **State Treasurer's Office**, Cole County, Greene County, Jackson County, St. Louis County, the City of Columbia, the City of Jefferson, the City of Kansas City, the City of St. Joseph, the City of St. Louis, Cape Girardeau 63 School District, Hannibal School District #60, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community Colleges, the University of Missouri, St. Louis Community College, the University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, the Missouri Technology Corporation, and the Missouri Life Sciences Research Board.

**Brad Ketcher of the Ketcher Law Firm, LLC; Todd Jones for the Missouri Roundtable for Life; and Senator Joan Bray** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal creates no fiscal impact. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have a significant negative impact on General Revenue, federal funds and local funds. The department anticipates a significant negative impact on public and private research institutions as well as on economic development efforts of local and regional government. In addition, they indicate that passage of this constitutional amendment could have significant negative impact on technology and research-related business growth and development as it would open the door for legislative restrictions on research and development.

The department assumes that placing the issue on the ballot by initiative petition will have no impact on General Revenue. However, they indicate that passage of the ballot initiative could have impact on the general revenue of this state. While the department did not make any fiscal projections, for the reasons set forth above, they do anticipate that this could have a significant economic impact and therefore impact general revenue.

This bill should have no known direct administrative or fiscal impact on the department. However, they do indicate there is a possibility that impact on the state general revenue could impact their agency to an unknown extent. If passed, this proposal could impact the department's mission to attract and retain business as well as grow business within the state.

The department also indicated that passage of the constitutional amendment could have significant economic impact on future research, entrepreneurship, and business development within Missouri as it will foster the perception that Missouri is a state that is hostile to scientific research. The department did not conduct any specific fiscal or economic projections on the impact of the constitutional amendment. However, they do anticipate that future projects and opportunities could be put at risk by passage of this amendment.

The **Department of Health and Senior Services** indicated no impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated the department is not involved in any of these activities, therefore, this legislation has no fiscal impact.

The **Department of Natural Resources** does not anticipate a direct fiscal impact from this initiative petition.

The **Department of Labor and Industrial Relations** indicated no fiscal impact on their department.

The **Department of Revenue** indicated the petition will have no fiscal impact on the department.

The **Department of Public Safety** assumed that this proposal will have no impact on the department.

The **Department of Social Services** indicated they do not engage in human cloning or prohibited human research. Furthermore, MO HealthNet Division officials assume there will be no change to the MO HealthNet program and no fiscal impact. In accordance with Public Law 105-798 (1997) relating to abortions, Medicaid payment is only available for abortions performed when the life of the woman would be endangered if the fetus were carried to term or the pregnancy is the result of rape or incest. The United States District Court case of the Department of Social Services v. the Secretary of Health and Human Services states “if the State of Missouri chooses to accept federal funds pursuant to Title XIX, it must provide funding for abortions terminating pregnancies resulting from rape and incest as well as those necessary to save the life of the pregnant woman.”

Officials from the **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

The **Office of Administration** indicated there should be no added cost or savings to their office if this constitutional amendment is passed by the voters.

Officials from the **Missouri House of Representatives** indicated this petition has no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of State Courts Administrator** indicated the proposed initiative should not have a fiscal impact on the judiciary.

The **Department of Transportation** anticipates no fiscal impact.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle

a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

The **State Tax Commission** indicated this petition will not impact their agency.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of St. Louis** indicated that the fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban "human cloning." In addition to what is commonly thought of as "human cloning"—a practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or "SCNT," a procedure for medical research or for treating disease that involves replicating (or "cloning") a patient's own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as "therapeutic cloning" because the cells are copied for the purpose of providing or developing a therapy for a patient's disease or injury.

The economy of the City of St. Louis is closely tied to the City's image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children's Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the City. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the City will lose \$1.3 million in revenue each year—\$50,000 x 5,300 x 50% x .01 City earnings tax.

As the following table shows, the City's hospitals alone account for nearly 19,000 jobs in the City, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the City's 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the City's colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of our hospitals and our City's ability to attract and retain talent and employers from any industry. Quality of life, in particular quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBs	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
<b>City of St. Louis Totals:</b>	<b>8,000</b>	<b>221,000</b>	<b>10,442,455,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A 10% loss of jobs in the three categories shown in the above table will cost the City more than \$10 million each year in direct loss of the 1% City earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the City growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the City, given the City's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the City would cost the City an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, we therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the City's general revenue budget—and countless millions more in indirect revenue. This is a loss that the City cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, “If Missouri does not choose its ‘fork in the road’ consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices.”

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit the scientists necessary to carry out the Institute's work. If the Institute expands in another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not “human cloning.” Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical

procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America's most respected doctors and scientists.

America's most respected doctors and scientists believe that "reproductive cloning" should be banned, but that "therapeutic cloning" should be encouraged because it holds great medical promise to lead to cures for debilitating diseases—this is also the current philosophy espoused in the Missouri Constitution. In 2002, forty Nobel Prize Winners sent a letter to members of the U.S. Senate making this important distinction. Nobel Prize-winning Scientist Paul Berg has stated that "cloning humans and 'therapeutic cloning' are fundamentally different. The cloning of a human being should be prohibited. Therapeutic cloning, on the other hand, is meant to produce stem cells, not babies." What the proposed amendment would ban is the same procedure that stem cell research opponents have tried unsuccessfully to ban in the legislature for the past five years. The passage of the "Stem Cell Amendment" in late 2006 ended the legislative battle. That battle has now moved to the voting booth with the proposal for this amendment.

In an effort to help quantify the economic impact of a new effort to undo Missouri's constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the City's bread and butter.

- 55% said the new amendment would make them less likely to keep their company in Missouri
- 45% said it would have no effect
- 0% said it would make them more likely to remain in Missouri
- 73% said the new amendment would make it more difficult to recruit scientists and other talent to Missouri
- 18% said it would have no effect
- 9% said it would make it easier to recruit scientists and other talent to Missouri
- 73% said the new amendment would make it more difficult to attract investors and capital to their company in Missouri

- 27% said it would have no effect
- 0% said it would make it easier to attract investors
- 73% said the new amendment would increase the pressure to relocate their company to another state
- 27% said it would have no effect
- 0% said it would decrease the pressure to relocate
- 73% said the new amendment would increase the likelihood that existing companies would avoid Missouri when considering whether to locate here
- 18% said it would help attract companies to Missouri
- 9% said it would have no effect
- 82% said the new amendment would make entrepreneurs considering starting a company in Missouri more likely to start their company in another state
- 18% said it would have no effect
- 0% said it would make entrepreneurs more likely to start their company in Missouri

The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

- 100% said the new amendment would make it more difficult to relocate existing companies to Missouri
- 0% said it would be easier to relocate companies to Missouri
- 100% said the new amendment would make it more difficult to establish new companies in Missouri.
- 0% said it would be easier to establish companies in Missouri

It is important to note that none of the surveyed companies or investors is involved in stem cell research. That being the case, these results are evidence of the serious harm that this proposed amendment would wreak, not just on companies involved in stem cell research but on the wide variety of companies in Missouri that depend on scientific research for their survival and growth. Any threat to science of any type creates a chilling environment and negatively affects their business climate.

While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, we believe these results clearly support the above assertions that if the amendment passes the City will lose both existing jobs and new opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the City would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrate, these economies are also very important parts of our future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from the **Rockwood R-VI School District** indicated they see no financial implications for their school district from this proposal.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

The **University of Missouri** indicated this amendment would effectively repeal the Stem Cell Amendment (Amendment 2 from 2006) and have a significant, negative chilling effect on education, research, and economic development across the University of Missouri (UM) System – at all four campuses and their academic health centers.

The proposed amendment, if passed, is projected to have a profound impact on the University's ability to grow and sustain its research operations and meet and exceed its economic development goals. Critical to fulfilling the University of Missouri's mission as the state's public research university is the ability to recruit and retain top faculty researchers who will contribute to the research enterprise to the ultimate benefit of the state's economy. The perception that the state has a hostile attitude toward research, and thus to academic freedom, can have a dampening effect on recruitment and retention of faculty. This amendment could have a deleterious effect on faculty perceptions and a negative impact on the University's ability to conduct cutting edge research that will extend beyond the life sciences.

Competition nationwide to attract and retain research faculty is exceedingly high. Faculty members consider many factors when deciding whether to stay in current positions or to accept offers from other states, including: supportive environment for research, level of state and private support, institutional reputation, and availability of state-of-the-art research facilities. A study conducted in 2006 by the National Bureau of Economic Research demonstrated the importance of attracting and retaining "research

stars". These research stars in turn attracted other research stars that would concentrate in the area - increasing the number of start-up firms and economic activity in the area. The stars and the surrounding start-up firms would generate additional patents and invention disclosures – spinning off economic development with resulting growth in jobs and transforming economic activity in the area. Thus this concentrated effort results in the “rich getting richer” by virtue of the interactive effects of new ideas generating other new ideas. The proposed amendment will seriously impact the University’s ability to attract and retain the “stars.”

In FY 2008, the University of Missouri generated \$272 million in research expenditures from funding to faculty researchers provided by federal and private sources. The funding primarily provides for the salaries of the researchers and their research staffs, supplies and equipment, and the administrative infrastructure that supports research. If one assumes that only half of the University’s research funding, or \$136 million, is in jeopardy, the direct financial loss to the University would be significant. This loss would come from top researchers leaving the University to go to institutions where there is an open and supportive climate for research and academic freedom. The economic impact on the state would be even greater because recent economic analysis\* indicates that every \$1.00 in research funding brought into the state generates almost \$2.00 in economic output and every \$1.0 million in research funding supports 17 jobs thus reducing economic output by \$272 million and impacting approximately 2,300 jobs.

This amendment could also have an impact on the University’s ability to support and grow commercialization of new technologies and the formation of new companies that result from the research. The University has a goal to increase revenues from patents and licenses from \$10 million in FY 2009 to \$50 million in FY 2013. This amendment would jeopardize this growth in revenues that would be used by the University to reinvest in research and technology transfer operations and in economic development ventures that benefit the entire state such as the Discovery Ridge research park and the new life sciences incubator in Columbia and the Missouri University of Science and Technology Innovation Park in Rolla. A recent MERIC economic impact analysis on Discovery Ridge indicated that continued investment in this project would yield an economic impact of \$33 billion on the state’s economy.

Finally, this amendment, if passed, could have a deleterious affect on the University’s ability to continue to attract leading medical researchers and physicians to its medical schools and hospitals in Columbia and Kansas City. This would compromise the ability of the University’s academic health centers to sustain high quality health care for citizens in the state and to continue to develop cutting edge treatments for the most life threatening medical conditions. This could result in the loss of patients to our hospitals and clinics as citizens of the state seek health care in other states. The fiscal impact of this is difficult to quantify.

\*Kaufman, J., Kalaitzandonakes, N, and Johnson, T. “The Economic Role of the University of Missouri in the State. March 18, 2008.

The **University of Central Missouri** indicated no fiscal impact.

Officials from **Missouri State University** indicated this proposal will have no economic impact on their organization.

**Missouri Western State University** indicated no fiscal impact on their organization.

Officials from **Northwest Missouri State University** determined that this measure would have no estimated cost or savings impact on their organization.

**Truman State University** indicated no fiscal impact.

**Mr. Brad Ketcher of the Ketcher Law Firm, LLC** provided fiscal impact information in opposition to the proposal which is summarized as follows:

STATE IMPACT	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
GSP Reduction	\$280m	\$403m	\$386m
Loss of Stowers Phase II			
State Tax Revenue	\$10.6m	\$15.3m	\$14.7m
Lose of Stowers Phase II (3.8% of GSP)			
GSP Reduction	\$1.7b	\$2.1b	\$2.5b
10% Chilling Effect on R&D			
State Tax Revenue	\$64.6m	\$79.8m	\$95m
10% Chilling Effect of R&D (3.8% of GSP)			
LOCAL GOVT IMPACT			<u>Annual</u>
KC Loss of Stowers Phase II			\$339k
Personal Income			
KC Loss of Stowers Phase II			\$113k
Earnings Tax			
KC Loss of Personal Income			\$154m
10% Chilling Effect on R&D			
St. Louis Loss of Personal Income			\$331m
10% Chilling Effect on R&D			
Boone Co. Loss of Personal Income			\$20m

**Mr. Todd S. Jones**, the submitter of the proposal, provided fiscal impact information for the Missouri Roundtable for Life. Mr. Jones indicated the proposal will have a positive fiscal impact by protecting public funds from being spent on certain abortions, abortion services, human cloning, or prohibited human research.

**Senator Joan Bray** provided information in opposition to this initiative petition under three categories: loss of Medicaid funds, loss of Title X funds, and cost of litigation. Below is a summary of her information.

Senator Bray indicated that the proposed constitutional amendment jeopardizes Missouri's ability to claim or qualify for federal Medicaid funds. Under the Hyde amendment, a state that participates in the federal Medicaid program must provide coverage for beneficiaries' abortions in cases of rape, incest, and where a woman's life is endangered by her pregnancy. However, the proposed amendment makes it unlawful to "expend, pay, or grant any public funds for abortion not medically necessary to save the life of the mother [or] for abortion services," Initiative Petition Section 2, without any exceptions for rape, incest or life-endangerment. The proposed amendment thus would bar Missouri from complying with this federal requirement. In fiscal year 2008, Missouri received approximately \$2.63 billion in federal Medicaid funds for MO HealthNet services, and contributed approximately \$1.16 billion in state general revenue funds. The proposed amendment puts the State of Missouri in the untenable position of having to violate its own Constitution or risk losing its federal Medicaid funds due to its non-compliance with federal requirements. When Medicaid expenses beyond MO HealthNet and administrative costs are factored in, the federal portion of Medicaid funds that would be jeopardized by this initiative are even larger than the \$2.92 billion for FY 2009 and \$3.3 billion for FY 2010.

Senator Bray further indicated the proposed amendment also jeopardizes Missouri's ability to participate in the federal program that subsidizes family planning services for low-income women, 42 U.S.C. Section 300 et seq (Title X) through its county health departments, because the proposed amendment imposes obligations on these county health departments that are inconsistent with the federal requirements for participation in the Title X program. In order to participate in the Title X program, health care providers must provide women who are determined to be pregnant with non-directive counseling about all of their options, including referrals for abortions upon request. The proposed amendment would bar Missouri county health departments from complying with this federal requirement, because it explicitly defines "abortion services" to include referrals for abortions. In FY 2007 Missouri county health departments received approximately \$300,000 in Title X funds to provide family planning services. If the county health departments are forced to stop participating in the Title X program because they cannot simultaneously obey the amended constitution and comply with requirements of Title X, it is likely that these Title X funds will be lost to Missouri altogether. In addition to the loss of approximately \$600,000 over two fiscal years, the loss of services to these patients, in turn, would have additional fiscal consequences for the state stemming from a likely increase in unplanned pregnancies.

Finally, given the conflict between the requirements of the proposed amendment and those of the federal Medicaid program, Senator Bray indicated that adopting the proposed amendment would undoubtedly lead to litigation. The costs of such litigation, which may include attorneys fees awarded against the state, constitute an additional fiscal impact.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Corrections**, the **State Treasurer's Office**, **Cole County**, **Greene County**, **Jackson County**, **St. Louis County**, the **City of Columbia**, the **City of Kansas City**, the **City of St. Joseph**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **St. Louis Community College**, **Harris-Stowe State University**, **Lincoln University**, **Missouri Southern State University**, **Southeast Missouri State University**, the **Missouri Technology Corporation**, and the **Missouri Life Sciences Research Board**.

#### **Fiscal Note Summary**

This proposal could have a significant negative fiscal impact on state and local governmental entities by prohibiting the use of public funds for certain research activities. Federal grants to state governmental entities for research and medical assistance programs may be in jeopardy. The total costs to state and local governmental entities are unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-53)**

**Subject**

Initiative petition from Gregory Thompson regarding a proposed amendment to Article I of the Missouri Constitution. (Received September 18, 2009)

**Date**

October 8, 2009

**Description**

This proposal would amend Article I of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, **Adair County**, **Cole County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of Kirksville**, the **City of St. Joseph**, the **City of St. Louis**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, the **University of Missouri**, **St. Louis Community College**.

**Senator Joan Bray** provided information to the State Auditor's Office.

**Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal creates no fiscal impact. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have no impact.

The **Department of Higher Education** indicated no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative will have no cost or savings to the department.

The **Department of Mental Health** indicated it does not appear that these provisions would create a fiscal impact or have legal implications for the department.

The **Department of Corrections** indicated this initiative petition has no fiscal impact for the department.

The **Department of Revenue** indicated this legislation will not have a fiscal impact on the department.

The **Department of Public Safety** assumes that this proposal will have no fiscal impact on the department.

The **Department of Social Services** indicated the cost is unknown. Depending on the interpretation of the proposed language, the department could incur program benefit costs for the unborn.

Officials from the **Governor's Office** indicated there should be no added cost or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this petition has no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of Administration** indicated there should be no added cost or savings to their office if this constitutional amendment is passed by the voters.

The **Office of State Courts Administrator** indicated the proposed initiative should not have any anticipated costs to the judiciary.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-

116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

The **Office of the State Treasurer** indicated this petition will not impact their agency.

Officials from **Jasper County** indicated the financial implications of adding Section 35 to the Missouri Constitution redefining the word "Person" is extremely difficult to place a dollar value on. It is possible there could be an increase in guardian ad litem costs which the county now pays in juvenile cases if an unborn person under the new definition is afforded the same rights as a person who has been born. The county could also be subject to additional liability when providing Health Department services to women who are pregnant. These possible situations are virtually impossible to quantify; however, the county will say the costs incurred if Section 35 was added would probably not exceed \$50,000 per year.

The **City of Jefferson** indicated that they do not anticipate any fiscal impact should this petition become law.

The **City of St. Louis** indicated the brevity and generality of the proposed amendment make it difficult to determine how narrow or widespread the impact of the proposed amendment might be. However, given that the definition sentence includes the words "biological development" the City believes that is it possible that the amendment, if adopted, could be construed to impact the types of scientific research that the Constitution would permit; it is also possible that the amendment, if adopted, could be construed to impact funding availability for such research. The City of St. Louis has provided estimates of the fiscal impact on the City of other initiative petitions that would have impacted research permissibility and funding availability for such research. If this initiative petition is construed as described above, the City believes this amendment could have similar impacts. The City of St. Louis, therefore, resubmits the same estimate as has been submitted in the past as their estimate of the fiscal impact that this new initiative petition—09-53—could have on the City of St. Louis. We believe that the fiscal impact of the amendment to the Missouri Constitution proposed in Initiative Petition 09-53 will be both extremely serious and extremely negative if the amendment prohibits

types of research and/or funding availability for such research. It is not possible to tell from the text of the proposed amendment whether this will be the case, so we must assume that it will be the case. Below is the fiscal impact estimate resubmitted by the City of St. Louis:

The fiscal impact of the proposed constitutional amendment will be both extremely serious and extremely negative with \$14.3 million in annual lost revenue as a conservative estimate of this negative impact on the city.

The new initiative petition filed by opponents of stem cell research purports to ban “human cloning.” In addition to what is commonly thought of as “human cloning”—a practice already banned by the Missouri Constitution—the amendment will ban one of the most promising new types of stem cell research, somatic cell nuclear transfer or “SCNT,” a procedure for medical research or for treating disease that involves replicating (or “cloning”) a patient’s own skin cell in a lab dish in order to create healthy new cells to help treat his or her disease. This process is currently permitted by the Missouri Constitution but would be banned if the proposed amendment is passed. SCNT is also sometimes referred to as “therapeutic cloning” because the cells are copied for the purpose of providing or developing a therapy for a patient’s disease or injury.

The economy of the City of St. Louis is closely tied to the City’s image as a cutting edge center for medical research. The City of St. Louis ranks 12th in a listing of the Top 100 Cities for grants from the National Institutes of Health, with \$441 million in grants flowing into the City in 2005 from NIH sources. This \$444 million represents 85% of all NIH support flowing into the State of Missouri. These grants support our hospitals and medical schools (Washington University School of Medicine, St. Louis University, Barnes-Jewish Hospital, and St. Louis Children’s Hospital), and, assuming that 60% of the funding pays salaries, account for approximately 5,300 jobs in the City. If only half of these jobs are lost—and it is a given that many of these jobs will be lost over time if this amendment is passed—the City will lose \$1.3 million in revenue each year—\$50,000 x 5,300 x 50% x .01 City earnings tax.

As the following table shows, the City’s hospitals alone account for nearly 19,000 jobs in the City, and other medical, professional and scientific and technical occupations account for an additional 15,000 jobs. Thus, 34,000 of the City’s 221,000 jobs—nearly 17%—are related to medical research and treatment and related professional occupations. Many additional jobs reside in the City’s colleges and universities—because colleges and universities do not report their employment data in the same manner as other places of business, detailed job and wage data for colleges and is not available from the U. S. Bureau of Labor Statistics.

A threat to ban and criminalize any type of medical research puts a black cloud over our entire state. Scientists in general will view Missouri as a regressive and unfriendly place for life sciences research, and those who make careers of cutting-edge research will not locate in Missouri. In recruiting scientists and companies, perception of the research environment is very important. Some scientists have already said that they would not

come to Missouri due to threats to overturn Amendment 2 and potentially criminalize research. The initiative petition now proposed will have a drastic impact on our universities and medical schools. These schools are the engines that drive both our existing medical and research facilities and the promise of a thriving concentration of young and mature science-based companies, like those who are beginning to occupy the CORTEX campus.

The proposed amendment will not only discourage growth in the institutions and businesses directly impacted by the amendment—the deleterious impact on health care over time will also impact the quality and size of our hospitals and our City's ability to attract and retain talent and employers from any industry. Quality of life, in particular quality of available medical care, has become a top issue in the selection of company locations. St. Louis enjoys access to some of the world's premier health care facilities in Washington University, the BJC Medical Center, and Saint Louis University, all of which are teaching hospitals. The regressive negative intellectual environment created by opposition to the newest medical research and treatments will certainly erode this quality of care as it will no longer be possible to attract top students for these schools and top professionals to staff the hospitals. This proposed Constitutional Amendment banning promising forms of stem cell research would also criminalize any patient who might one day get a cure from such a procedure, thus costing these hospitals patients. Again, restricted access to the newest areas of medicine erodes the quality of life we take for granted from the great medical institutions available to us now.

#### RESEARCH-RELATED JOBS AND WAGES IN THE CITY OF ST. LOUIS

Source: U. S. Bureau of Labor Statistics--2006

TYPE	BUSINESSES	JOBS	TOTAL ANNUAL WAGES	% OF TOTAL BUSINESSES	% OF TOTAL JOBS	% OF TOTAL WAGE BASE
Medical Equipment & Supplies Manufacturing	15	516	19,613,949	0.19%	0.23%	0.19%
Professional, Scientific & Technical Services	889	14,642	952,212,500	11.11%	6.63%	9.12%
Hospitals	13	18,634	769,206,410	0.16%	8.43%	7.37%
<b>TOTALS--LIFE SCIENCES RELATED:</b>	<b>917</b>	<b>33,792</b>	<b>1,741,032,859</b>	<b>11.46%</b>	<b>15.29%</b>	<b>16.67%</b>
<b>City of St. Louis Totals:</b>	<b>8,000</b>	<b>221,000</b>	<b>10,442,455,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

A 10% loss of jobs in the three categories shown in the above table will cost the City more than \$10 million each year in direct loss of the 1% City earnings tax from these employees. It is also safe to say that this 10% loss will have a similar ripple effect in the thousands of other employees who serve the needs of the hospitals—laundry services, transportation, construction, wholesale food sales, and others.

In addition, passage of the proposed amendment will cost the City growth. The Battelle Institute of Cincinnati has already predicted that if current trends (absent this amendment) continue, Missouri will be eclipsed as a life science-driven economy by other states and regions. On the other hand, Battelle also predicts that if the state aggressively pursues the

life sciences and makes the necessary investments over the next ten years in the research capacity and technology commercialization areas, the state would add more than 21,000 permanent jobs in life science industries, for the most part well-paid, quality employment. Conservatively assuming that one fourth of these jobs would be located in the City, given the City's predominance as a center for medical research, further assuming conservatively that each new job had a salary of \$50,000 per year, and further assuming that this salary grew by 3% each year, the loss of these new jobs to the City would cost the City an average of \$3 million per year once these jobs were fully situated. Again, it is also safe to say that this loss will have a similar ripple effect in the thousands of other employees who could be hired to serve the needs of the growing hospitals and research/development businesses—laundry services, transportation, construction, wholesale food sales, and others.

In summary, we therefore conservatively estimate that the proposed amendment will cost the City of St. Louis a minimum of \$14.3 million per year in direct general revenue—approximately 3.5% of the City's general revenue budget—and countless millions more in indirect revenue. This is a loss that the City cannot tolerate in the face of rising costs and rising service needs.

As the Battelle Institute report stated in 2003, “If Missouri does not choose its ‘fork in the road’ consciously, deliberately, and with full knowledge of the consequences, it may take a fork that neither it nor its citizenry chooses. ...one fork may take Missouri to 21,000 additional well-paying jobs, \$7.2 billion in additional gross regional product, and more than \$3.9 billion in real disposable income over the next decade. The other fork may not only cost the state these jobs, but, if the state and the private sector simply continue existing trends, it may also mean further significant job and economic losses in key life science industries such as drugs and pharmaceuticals and medical devices.”

A ban on SCNT will seriously harm the Missouri economy and its life science industry, in particular that industry in the City of St. Louis. The threat of such a ban has already caused harm in Kansas City, where the noted Stowers Institute has been unable to recruit the scientists necessary to carry out the Institute's work. If the Institute expands in another state, Missouri will lose millions of dollars in economic benefit directly related to stem cell research that is not “human cloning.” Human cloning is currently banned by the Missouri Constitution. Opponents of stem cell research have falsely claimed that human cloning is not banned, because they also want to forbid promising medical procedures that require the copying of cells. However, the terminology, the concepts, and the distinction used in the Missouri Constitution are the same as used by America's most respected doctors and scientists.

America's most respected doctors and scientists believe that “reproductive cloning” should be banned, but that “therapeutic cloning” should be encouraged because it holds great medical promise to lead to cures for debilitating diseases—this is also the current philosophy espoused in the Missouri Constitution. In 2002, forty Nobel Prize Winners sent a letter to members of the U.S. Senate making this important distinction. Nobel Prize-winning Scientist Paul Berg has stated that “cloning humans and 'therapeutic

cloning' are fundamentally different. The cloning of a human being should be prohibited. Therapeutic cloning, on the other hand, is meant to produce stem cells, not babies." What the proposed amendment would ban is the same procedure that stem cell research opponents have tried unsuccessfully to ban in the legislature for the past five years. The passage of the "Stem Cell Amendment" in late 2006 ended the legislative battle. That battle has now moved to the voting booth with the proposal for this amendment.

In an effort to help quantify the economic impact of a new effort to undo Missouri's constitutional research and cures protections, the Coalition for Plant and Life Sciences, the Center for Emerging Technologies, and the Nidus Center for Scientific Enterprise collaborated on a survey of St. Louis science and technology-based companies and St. Louis investment firms and organizations that specialize in investments with science-based companies. This survey sought to measure the potential impact of this new proposal.

Responses were received from eleven science and technology companies. The results, summarized below, clearly demonstrate that an overwhelming majority of the leaders of these companies would find the amendment to be a severe impediment to growing their companies in Missouri, that a majority of respondents would consider moving their companies out of Missouri if the amendment passes, and that a majority of respondents believe that the amendment would be perceived as an anti-research initiative that would make Missouri an unattractive location for the high growth science-based companies that have become a major part of the City's bread and butter.

- 55% said the new amendment would make them less likely to keep their company in Missouri
- 45% said it would have no effect
- 0% said it would make them more likely to remain in Missouri
- 73% said the new amendment would make it more difficult to recruit scientists and other talent to Missouri
- 18% said it would have no effect
- 9% said it would make it easier to recruit scientists and other talent to Missouri
- 73% said the new amendment would make it more difficult to attract investors and capital to their company in Missouri
- 27% said it would have no effect
- 0% said it would make it easier to attract investors
- 73% said the new amendment would increase the pressure to relocate their company to another state
- 27% said it would have no effect
- 0% said it would decrease the pressure to relocate

- 73% said the new amendment would increase the likelihood that existing companies would avoid Missouri when considering whether to locate here
- 18% said it would help attract companies to Missouri
- 9% said it would have no effect
- 82% said the new amendment would make entrepreneurs considering starting a company in Missouri more likely to start their company in another state
- 18% said it would have no effect
- 0% said it would make entrepreneurs more likely to start their company in Missouri

The seven Missouri-based venture capital firm and investor organization respondents were unanimous in their agreement that this newly proposed amendment would harm Missouri's business climate by overturning our current protections for science and research.

- 100% said the new amendment would make it more difficult to relocate existing companies to Missouri
- 0% said it would be easier to relocate companies to Missouri
- 100% said the new amendment would make it more difficult to establish new companies in Missouri.
- 0% said it would be easier to establish companies in Missouri

It is important to note that none of the surveyed companies or investors is involved in stem cell research. That being the case, these results are evidence of the serious harm that this proposed amendment would wreak, not just on companies involved in stem cell research but on the wide variety of companies in Missouri that depend on scientific research for their survival and growth. Any threat to science of any type creates a chilling environment and negatively affects our business climate.

While it is not possible to quantify the results of this survey in terms of specific economic impact on the City of St. Louis, we believe these results clearly support the above assertions that if the amendment passes the City will lose both existing jobs and new opportunities, and as a result will lose, at a minimum, the \$14 million per year in revenue referenced above.

In summary, the negative impact on the amount of research and the consequential economic development emerging from the scientific research that would result from the proposed amendment would impact the City of St. Louis disproportionately: the City would suffer a very substantial reduction in scientific and medical activity and the sacrifice of significant future growth potential. As the chart above shows, medical research and treatment are extremely significant parts of St. Louis's current economy; as the CORTEX initiative and the Battelle report demonstrate, these economies are also very important parts of our future. As the survey results demonstrate, businesses involved in scientific research of all types and the businesses involved in raising capital

for these research businesses would seriously question their futures in Missouri. Given the negative attitudes of businesses already ensconced in Missouri to the passage of this amendment, it is also obvious that businesses outside Missouri would have equally if not more strongly negative attitudes and would not locate in the City of St. Louis or Missouri.

Officials from the **Rockwood R-VI School District** indicated no financial cost or savings is anticipated for their school district from this proposal.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Senator Joan Bray** provided information in opposition to this initiative petition. Below is a summary of her information:

#### Cost of Increased State Services

Senator Bray indicated that this initiative petition contains language that is very similar to initiative petitions submitted in several states, including Colorado. The Colorado language attempted to apply the definition of person at "fertilization" in its state constitution. While there is no common medical definition of the term "beginning of biological development" used by Gregory Thompson in his proposed petition, it is logical to conclude that the impact of the Thompson language would be similar to the impact of the failed Colorado language.

While the legal effects of the proposed constitutional amendment are murky and unclear, it could be understood - and indeed, is clearly intended - to dramatically restrict or eliminate altogether a doctor's ability to provide safe, legal abortions in Missouri. Experience from U.S. history and other countries with very restrictive abortion laws demonstrates that limited access to legal abortion leads to increased rates of self-induced, covert, and/or unsafe abortions.

Prior to 2007, first trimester abortion was not widely legally available in Mexico. Researchers there documented the costs to the health system of caring for women who undergo unsafe abortions. Their study found that increased access to safe first trimester abortion care would reduce Mexico City government costs by 62 %, leading to a potential saving of up to \$1.6 million annually. See [http://www.id21.org/focus/unsafe\\_abortion/index.html](http://www.id21.org/focus/unsafe_abortion/index.html) (Levin, Grossman, Garcia)

The cost to the state to provide medical care to uninsured women and women on Medicaid to treat complications from unsafe abortions would be significant.

In addition, the state would likely have to create a massive investment in contraceptive and family planning services (if, indeed, such services survive the proposed constitutional amendment - which is far from clear), and still would face significant increases in pregnancy, childbirth and infant care for the uninsured and women on Medicaid. With Medicaid potentially expanding under various health care reform proposals, this investment could be even larger.

Senator Bray further indicated the proposed constitutional amendment may be understood to dramatically restrict or eliminate altogether women's right to use many forms of contraception, including emergency contraception, as some people believe hormonal contraception and certain other forms of contraception can operate by preventing implantation of a fertilized embryo. For example, the website of Personhood USA (which appears to be the central organization promoting personhood amendments in many states, including Missouri), indicates that only barrier methods - not hormonal methods - of contraception could survive a personhood amendment. See <http://www.personhoodusa.com/content/scare-tactic-alert>

If the proposed constitutional amendment is understood in this way, the fiscal consequences for the state would be even more significant, and all but impossible to quantify. In particular, the state would face enormous costs (including reduced tax base) from women's reduced participation in the workforce, as a consequence of their decreased ability to plan family size. Moreover, Missouri's birth rate could be expected to go up drastically, again with very significant attendant costs.

In addition, the proposed constitutional amendment may also jeopardize Missouri's ability to claim or qualify for federal Medicaid or Title X funds. It does so because it imposes obligations on the State of Missouri that are potentially inconsistent with the federal statutory requirements for participation in the Medicaid and Title X programs.

#### Other Unintended Consequences and Litigation Costs

Changing the definition of person in Missouri's Constitution would force lawyers, legislators, and the courts to reinterpret every Missouri law and regulation that contains the word "person". It could impact thousands of laws including those related to when property rights are granted, inheritance rights, and access to the courts. Because of its broad implications, this amendment could overwhelm the courts requiring additional resources. The costs of this litigation may also include attorneys fees awarded against the state. The unintended consequences of this drastic overhaul of Missouri's legal system are all but impossible to foresee, and doubtless include fiscal consequences.

Finally, given the clear conflict between the requirements of the proposed amendment and those dictated by U.S. Supreme Court rulings in *Roe v. Wade* and the numerous cases reaffirming the central holdings in that case over the past 35 years, adopting the proposed amendment would undoubtedly lead to litigation. The costs of such litigation, which may include attorneys fees awarded against the state, constitute an additional fiscal impact.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Missouri Department of Transportation**, **Adair County**, **Cole County**, **Jackson County**, **St. Charles County**, **St. Louis County**, the **City of Kansas City**, the **City of Kirksville**, the **City of St. Joseph**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

Most state and local governmental entities estimate no costs or savings. However, depending on the legal interpretation of the proposal, some state and local governmental entities may incur unknown costs related to court actions, program benefits for the unborn, health services to pregnant women, and the possible prohibition of certain research activities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-56r)**

**Subject**

Initiative petition from James Harris regarding a proposed amendment to Article V, Section 25, of the Missouri Constitution. (Received October 8, 2009)

**Date**

October 29, 2009

**Description**

This proposal would amend Article V of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Jackson County Legislators**, **St. Louis County**, **Platte County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, the **St. Louis County Board of Elections**, the **Clay County Election Board**, the **Kansas City Board of Elections**, the **Platte County Board of Elections**, the **Jackson County Election Board**, the **St. Louis City Board of Elections**, the **Greene County Clerk**.

**Missourians for Fair and Impartial Courts** provided information to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal would have no impact.

The **Department of Higher Education** indicated no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated the department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Revenue** indicated this initiative petition does not have an effect on the department.

The **Department of Public Safety** assumes that this initiative, if approved by the voters, would have no fiscal impact on the department.

The **Department of Social Services** indicated there is no fiscal impact to the department.

Officials from the **Governor's Office** indicated there should be no added cost or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this petition has no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Department of Transportation** indicated this initiative petition has no fiscal impact on their department.

The **Office of Administration** indicated there should be no added cost or savings to their office if this constitutional amendment is passed by the voters.

The **Office of State Courts Administrator** indicated the proposed initiative petition would dissolve the Appellate Judicial Commission. The Appellate Judicial Commission annually receives a core appropriation of \$7,741.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from the **Rockwood R-VI School District** indicated they do not foresee any cost or savings related to this initiative petition.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no fiscal impact on their organization.

The **St. Louis County Board of Elections** indicated the proposal would call for contested partisan elections for all judicial offices. Supreme Court and Court of Appeals would be once every 8 years, Circuit Judges every 6 years and Associate Circuit Judges every 4 years. Based on the current judicial make up we could anticipate the following number of judicial elections on the St. Louis County ballot:

- 2012 - 15 judicial contests
- 2014 - 15 judicial contests
- 2016 - 18 judicial contests
- 2018 - 19 judicial contests
- 2020 - 19 judicial contests

## 2022 - 17 judicial contests

Additional judge contests require additional space needed on the paper ballot. Our maximum available ballot is 19" and during the 2008 November General election we reached that maximum. Had this law been in effect in 2008 the ballot would have spilled over and required 2 pages. Each of the 600,000 19" paper ballot in 2008 cost 38¢ and thus would have resulted in \$228,000 additional ballot cost. A non-Presidential General election only requires approximately 450,000 paper ballots. The ballot maximum would not be a problem during the August Primary elections because those elections do not also have the large number of initiative petitions on the ballot that appear on the General election ballot. We have negotiated a new printing cost and our projected ballot costs in 2012 and 2014 will be 28¢/30¢ respectively. The anticipated increased ballot printing costs for 2012 and 2014 would be \$168,000 and \$135,000 respectively.

Having to process an election with 2 page ballots will take longer to process and count absentee ballots. The time necessary for Logic & Accuracy testing on the optical scan machines would be doubled. We would anticipate needing the equivalent of 4 persons for 10 weeks in absentee (200 man days) and 40 man days for L&A testing. 240 man days at a cost, including benefits, of \$68.90 per day equals \$16,536.

Additional contested races results in additional cost to maintain campaign reporting files and additional cost for programming elections and audio files but these figures are not easily computed.

Each November General election will cost an additional \$150,000 to \$200,000.

Pursuant to further clarification initiated by the State Auditor's Office via telephone, the election authority indicated the partisan judicial contests will require more ballot lines per judicial contest versus the current number of lines for judicial retention, resulting in the probable need for an additional page for paper ballots. The election authority further indicated they would require only additional paper ballot pages to address the needs required by this particular proposal; additional touch screen machines would not be needed.

The **Clay County Board of Elections** indicated this potential amendment should have no fiscal impact on our office.

The **Kansas City Board of Elections** indicated if this measure is passed, and the elections are held concurrently with elections held in even numbered years (RSMo 115.063), the cost to the State of Missouri will be \$0. However, if for any reason, the election occurs on any other date, the cost for a jurisdiction-wide election in Kansas City is \$400,000. The State would pay its prorated share based on registered voters, or if there is no other candidate or issue on the ballot the total cost of the election.

The **Jackson County Election Board** indicated the added cost in pages for their votomatics could be substantial for the primary and general depending on how many

candidates are on the ballot and how many parties (as they understand this petition it would be partisan). The cost of each page for the number of machines they are using in this current countywide election is \$6,000.00. In an even numbered year they would probably need to send out quite a few more votomatic machines - increasing that cost to approximately \$9,000.

It is hard to assign a number not knowing how many candidates and not knowing how many pages - but their guess would be approximately \$30,000.00 added to the primary and probably about \$25,000 to the general.

The **St. Louis City Board of Elections** indicated the proposal would eliminate the current system of selecting judges (the "Non-Partisan Court Plan") and have them run for office on a party ticket. Candidates for Associate Circuit Judge would file their Declarations of Candidacy with their office, but all other judicial candidates would file their Declarations with the Office of the SOS. Any cost to this office of processing such Declarations would be negligible. The cost of printing their names on a ballot would also be negligible, since they currently print on the ballot the names of judges who are up for retention. They don't run on a party ticket, but voters get the chance to vote "yes" or "no" as to whether they should be retained in their positions.

They do not think it will have any appreciable financial impact on their office if it passes.

There will be a cost associated with processing the signature petition, if the proponents gather sufficient signatures.

The **Greene County Clerk** indicated it's difficult to project additional costs to Greene County since the judiciary is on the ballot for retention anyway. They just passed the non-partisan court plan, so they haven't had any experience yet with the cost differential of merely placing retention language on the ballot verses judicial candidates. Their placement on the August Primary ballot is no longer necessary under the non-partisan plan, but they have no idea what savings, if any, will be realized.

**Missourians for Fair and Impartial Courts** provided information in opposition to this initiative petition. Below is a summary of their information:

Currently the Judges on the Missouri Supreme Court, Courts of Appeals and the Circuit Courts in St. Louis City, St. Louis County, Jackson County, Clay County, Platte County and Greene County are selected in accordance with the Missouri Non-Partisan Court Plan. This initiative, if passed, would provide for the partisan election of all these Judges, thus substantially increasing the number of partisan races on both the primary and general election ballots.

In three circuits - Jackson County, St. Louis City, and St. Louis County - the number of partisan races on the primary and general ballots will likely increase by 17, 17 and 21 respectively thus more than doubling the number of races on the ballot thus substantially

increasing the size of the ballot as well as the time needed for voters to complete the voting process.

In at least those three jurisdictions, depending on the number of other issues that might be on the ballot, the size of the ballot and the time needed by each voter to complete the voting could increase from between 70 to 100%. To accommodate all the voters within the given time frame on Election Day the number of voting machines would need to increase proportionally.

These jurisdictions would be required to install between 70-100% more voting machines and scanners to accommodate the voters at both the primary and general elections. We have attached an analysis which lays out the additional costs for these machines in each of the jurisdictions. The numbers of machines in use and their cost have been derived from the local election boards in St. Louis City, St. Louis County, Jackson County and Kansas City. Because the number of Judges that would be on the ballot in Greene County, Clay County, and Platte County would be a smaller number relative to the number of partisan elections already on that ballot the impact is expected to be less than the three larger circuits. The costs for Greene, Clay and Platte counties are determined by using the same average per capita costs in Jackson County but could be as low as 30-50% increase.

If one were to use an even more conservative percentage of increase in time and machines of 50%, the potential range of increased costs to these jurisdictions would be from \$7,579,634 to \$15,159,269.

These costs are not at all intended to be all-inclusive. Additional costs will also be incurred by all jurisdictions on the printing of the longer paper ballots, the newspaper publishing costs of the longer primary and general election ballots as well as additional costs for increase number of workers incurred because of the time required for each voter to vote as well as the manpower to operate the additional scanner. These costs are only reflective of the potential increase in the number of voting machines and scanners needed to process the same number of voters on Election Day.

## Voting Machine Costs

	<b>Currently in Use</b>	<b>70% Increase</b>	<b>Cost</b>	<b>100% Increase</b>	<b>Cost</b>
<b>St. Louis City</b>	390 Touch Screens 150 Scanners	273 x \$3,500.00 105 x \$3,500.00	\$955,500.00 \$367,500.00	390 x \$3,500.00 150 x \$3,500.00	\$1,365,000.00 \$525,000.00
			<b>\$1,323,000.00</b>		<b>\$1,890,000.00</b>
<b>St. Louis County</b>	1784 Machines	1248 x \$3,500.00	\$4,370,800.00	1784 x \$3,500.00	\$6,244,000.00
<b>Jackson County</b>	250 Machines	175 x \$10,000.00	\$1,750,000.00	250 x \$10,000.00	\$2,500,000.00
<b>Kansas City</b>	160 Touch Screens 160 Scanners	112 x \$5,000.00 112 x \$3,500.00	\$560,000.00 \$392,000.00	160 x \$5,000.00 160 x \$3,500.00	\$800,000.00 \$560,000.00
			<b>\$952,000.00</b>		<b>\$1,360,000.00</b>
<b>Greene County</b>	Same per capita cost as Jackson Co.		<b>\$1,036,950.00</b>		<b>\$1,480,265.00</b>
<b>Clay County</b>	Same per capita cost as Jackson Co.		<b>\$842,314.00</b>		<b>\$1,202,420.00</b>
<b>Platte County</b>	Same per capita cost as Jackson Co.		<b>\$338,058.00</b>		<b>\$482,584.00</b>
<b>Total</b>		<b>70% =</b>	<b>\$10,613,122.00</b>	<b>100% =</b>	<b>\$15,159,269.00</b>

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Jackson County**, **St. Louis County**, **Platte County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**, **Platte County Board of Elections**.

### Fiscal Note Summary

Most local election authorities estimate no costs or savings, however, some local election authorities may incur estimated costs of \$25,000 to \$184,536 for each general election if the proposal results in the need for additional ballot pages. The proposal may result in an estimated savings of \$7,741 to state governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-60)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received November 23, 2009)

**Date**

December 11, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Agriculture** indicated that this initiative petition will have no direct fiscal impact on their department.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated the department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this initiative petition will not impact the department.

The **Department of Public Safety** assumes there will be no fiscal impact due to this initiative petition.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department. City earnings taxes are collected by local jurisdictions for general revenue purposes. Such taxes do not fund DSS programs.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Department of Transportation** indicated this initiative petition has no fiscal impact on their department.

The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011.

To the extent that existing earnings taxes are eliminated, those applicable proposals will have the following estimated fiscal impacts:

1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
3. Increased general and total state revenues. Local income taxes are deductible from federal income tax, if the taxpayer chooses to itemize deductions. Therefore, up to \$377.4M that is currently deducted may not be deducted from Missouri taxable income when fully implemented. However, not all taxpayers choose to itemize their taxes. The Missouri Dept. of Revenue reports to B&P that, in tax year 2008, \$105.9M in deductions were claimed for earnings taxes. Therefore, assuming a 4.5-percent effective individual income tax rate, this proposal will increase general and total state revenues by \$4.8M annually when fully implemented; \$0.5M in the first year.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding

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<sup>1</sup> <http://stlouis.missouri.org/citygov/comptroller/docs/cafr2008/FY08CAFR.pdf>, p. 207

<sup>2</sup> <http://www.kcmo.org/idc/groups/finance/documents/finance/cafr09.pdf>, p. A-62

for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from the **Office of the State Treasurer** indicated this initiative petition will not have any impact on their office.

Officials from **Jasper County** indicated the proposed amendment to Ch. 92, RSMO as a result of the subject initiative would be of no cost to Jasper County or any city within Jasper County. In reviewing Ch. 92 in its current form, it appears that these statutes apply to charter cities only and not to counties. There are no cities in Jasper County that have an earnings tax, nor does Jasper County have an earnings tax and there are no plans to enact one in any of these entities.

Officials from the **City of Kansas City** indicated this petition requires the City of Kansas City to place to a vote the continuance of its earnings tax at 5-year renewals. If the taxes are not renewed they are phased out over a 5-year period.

The immediate expense of this petition is the cost of elections. Currently the City pays over \$500,000 to its various election authorities to conduct an election within the City of Kansas City.

There are secondary impacts as well. Budgeting and planning would be impossible knowing that revenues could decrease by the amount of the earnings tax over a period of years. Long term financial considerations would be impossible.

Staffing municipal government would be, at best, difficult because of the lack of stability in the workplace. This would leave those who might consider a career in government to avoid such service. Furthermore, with possible decreases in municipal pensions for those who have already served and retired, recruiting employees may be nearly impossible if the current wages and benefits are not weighed against a future pension.

An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

Each of these impacts has severe financial consequences which cannot be easily quantified. However, it is the impact of Petition 09-68 and the intended impact of the other petitions that present the most dire fiscal picture.

Petition 09-68 simply eliminates the earnings tax over a 10-year period. The following fiscal impacts would also apply to Petitions 09-60, 09-62, 09-64, and 09-66, as well as Petition 09-68, for it is apparent the ultimate intention of these petitions is the elimination of the earnings tax. When the earnings tax was first established at  $\frac{1}{2}\%$  and when it was increased to its current 1% the voters approved the tax. Four of the five applicable petitions require yet another vote. The petitions are not simply an effort to allow the sunset of the taxes; it is an effort to keep voting until the taxes are eliminated.

More importantly, it is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the statutes that would be enacted by the petitions speak of the last federal decennial census; but the 2010 census will not be reported until 2011, after the statutes would go into effect. If the courts would interpret the statute to mean the last completed census Kansas City would fall below 450,000 people and the exceptions in the statutes because its 2000 census population was less than 450,000.

The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through

to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition and the resultant election if the earnings tax was eliminated, or the adoption of Petition 09-68 with its statutory revocation of the earnings tax is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Raymore** indicated the city does not currently have nor does it anticipate at this time to have an earnings tax in place. Therefore, this initiative petition would not have a fiscal impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences

regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>	
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>	
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>	
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>	
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>	
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)</b>	<b>-39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>		
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)</b>	<b>-8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615</b>	<b>53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the

estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger cities, this would not have any effect on the City of Wentzville.

Officials from the **City of West Plains** indicated to the best of their knowledge this petition does not have any fiscal impact on their city.

Officials from the **Rockwood R-VI School District** indicated no savings or cost will be realized from this measure.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have no fiscal impact on the state of Missouri, counties, or political subdivisions.

The State Auditor's Office did not receive a response from the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

The proposal could eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-62)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received November 23, 2009)

**Date**

December 11, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Agriculture** indicated that this initiative petition will have no direct fiscal impact on their department.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated the department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this initiative petition will not impact the department.

The **Department of Public Safety** assumes there will be no fiscal impact due to this initiative petition.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department. City earnings taxes are collected by local jurisdictions for general revenue purposes. Such taxes do not fund DSS programs.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Department of Transportation** indicated this initiative petition has no fiscal impact on their department.

The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011.

To the extent that existing earnings taxes are eliminated, those applicable proposals will have the following estimated fiscal impacts:

1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
3. Increased general and total state revenues. Local income taxes are deductible from federal income tax, if the taxpayer chooses to itemize deductions. Therefore, up to \$377.4M that is currently deducted may not be deducted from Missouri taxable income when fully implemented. However, not all taxpayers choose to itemize their taxes. The Missouri Dept. of Revenue reports to B&P that, in tax year 2008, \$105.9M in deductions were claimed for earnings taxes. Therefore, assuming a 4.5-percent effective individual income tax rate, this proposal will increase general and total state revenues by \$4.8M annually when fully implemented; \$0.5M in the first year.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding

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<sup>1</sup> <http://stlouis.missouri.org/citygov/comptroller/docs/cafr2008/FY08CAFR.pdf>, p. 207

<sup>2</sup> <http://www.kcmo.org/idc/groups/finance/documents/finance/cafr09.pdf>, p. A-62

for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from the **Office of the State Treasurer** indicated this initiative petition will not have any impact on their office.

Officials from **Jasper County** indicated the proposed amendment to Ch. 92, RSMO as a result of the subject initiative would be of no cost to Jasper County or any city within Jasper County. In reviewing Ch. 92 in its current form, it appears that these statutes apply to charter cities only and not to counties. There are no cities in Jasper County that have an earnings tax, nor does Jasper County have an earnings tax and there are no plans to enact one in any of these entities.

Officials from the **City of Kansas City** indicated this petition requires the City of Kansas City to place to a vote the continuance of its earnings tax at 10-year renewals. If the taxes are not renewed they are phased out over a 10-year period.

The immediate expense of this petition is the cost of elections. Currently the City pays over \$500,000 to its various election authorities to conduct an election within the City of Kansas City.

There are secondary impacts as well. Budgeting and planning would be impossible knowing that revenues could decrease by the amount of the earnings tax over a period of years. Long term financial considerations would be impossible.

Staffing municipal government would be, at best, difficult because of the lack of stability in the workplace. This would leave those who might consider a career in government to avoid such service. Furthermore, with possible decreases in municipal pensions for those who have already served and retired, recruiting employees may be nearly impossible if the current wages and benefits are not weighed against a future pension.

An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

Each of these impacts has severe financial consequences which cannot be easily quantified. However, it is the impact of Petition 09-68 and the intended impact of the other petitions that present the most dire fiscal picture.

Petition 09-68 simply eliminates the earnings tax over a 10-year period. The following fiscal impacts would also apply to Petitions 09-60, 09-62, 09-64, and 09-66, as well as Petition 09-68, for it is apparent the ultimate intention of these petitions is the elimination of the earnings tax. When the earnings tax was first established at  $\frac{1}{2}\%$  and when it was increased to its current 1% the voters approved the tax. Four of the five applicable petitions require yet another vote. The petitions are not simply an effort to allow the sunset of the taxes; it is an effort to keep voting until the taxes are eliminated.

More importantly, it is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the statutes that would be enacted by the petitions speak of the last federal decennial census; but the 2010 census will not be reported until 2011, after the statutes would go into effect. If the courts would interpret the statute to mean the last completed census Kansas City would fall below 450,000 people and the exceptions in the statutes because its 2000 census population was less than 450,000.

The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through

to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition and the resultant election if the earnings tax was eliminated, or the adoption of Petition 09-68 with its statutory revocation of the earnings tax is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Raymore** indicated the city does not currently have nor does it anticipate at this time to have an earnings tax in place. Therefore, this initiative petition would not have a fiscal impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences

regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>	
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>	
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<b>Remaining Discretionary Income:</b>	<b>\$194,740,615</b>	<b>53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the

estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

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## **Fiscal Note Summary**

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**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-64)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received November 23, 2009)

**Date**

December 11, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

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The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

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The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011.

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1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
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purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

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Officials from the **Office of the State Treasurer** indicated this initiative petition will not have any impact on their office.

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Officials from the **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated that this petition requires the City of Kansas City to place to a vote the continuance of its earnings tax at 5-year renewals. If the taxes are not renewed they are phased out over a 10-year period.

The immediate expense of this petition is the cost of elections. Currently the City pays over \$500,000 to its various election authorities to conduct an election within the City of Kansas City.

There are secondary impacts as well. Budgeting and planning would be impossible knowing that revenues could decrease by the amount of the earnings tax over a period of years. Long term financial considerations would be impossible.

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Petition 09-68, for it is apparent the ultimate intention of these petitions is the elimination of the earnings tax. When the earnings tax was first established at ½% and when it was increased to its current 1% the voters approved the tax. Four of the five applicable petitions require yet another vote. The petitions are not simply an effort to allow the sunset of the taxes; it is an effort to keep voting until the taxes are eliminated.

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The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny

available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition and the resultant election if the earnings tax was eliminated, or the adoption of Petition 09-68 with its statutory revocation of the earnings tax is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace

it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>	
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>	
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>	
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>	
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>	
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)</b>	<b>-39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>		
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)</b>	<b>-8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615</b>	<b>53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger cities, this would not have any effect on the City of Wentzville.

Officials from the **City of West Plains** indicated to the best of their knowledge this petition does not have any fiscal impact on their city.

Officials from the **Rockwood R-VI School District** indicated the district will not have any cost or savings as a result of this measure.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have no fiscal impact on the state of Missouri, counties, or political subdivisions.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Governor's Office**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Linn State Technical College**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

The proposal could eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-66)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received November 23, 2009)

**Date**

December 11, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated the department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this initiative petition will not impact the department.

The **Department of Public Safety** assumes there will be no fiscal impact due to this initiative petition.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department. City earnings taxes are collected by local jurisdictions for general revenue purposes. Such taxes do not fund DSS programs.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Department of Transportation** indicated this initiative petition has no fiscal impact on their department.

The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011.

To the extent that existing earnings taxes are eliminated, those applicable proposals will have the following estimated fiscal impacts:

1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
3. Increased general and total state revenues. Local income taxes are deductible from federal income tax, if the taxpayer chooses to itemize deductions. Therefore, up to \$377.4M that is currently deducted may not be deducted from Missouri taxable income when fully implemented. However, not all taxpayers choose to itemize their taxes. The Missouri Dept. of Revenue reports to B&P that, in tax year 2008, \$105.9M in deductions were claimed for earnings taxes. Therefore, assuming a 4.5-percent effective individual income tax rate, this proposal will increase general and total state revenues by \$4.8M annually when fully implemented; \$0.5M in the first year.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the

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<sup>1</sup> <http://stlouis.missouri.org/citygov/comptroller/docs/cafr2008/FY08CAFR.pdf>, p. 207

<sup>2</sup> <http://www.kcmo.org/idc/groups/finance/documents/finance/cafr09.pdf>, p. A-62

purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from **Jasper County** indicated the proposed amendment to Ch. 92, RSMO as a result of the subject initiative would be of no cost to Jasper County or any city within Jasper County. In reviewing Ch. 92 in its current form, it appears that these statutes apply to charter cities only and not to counties. There are no cities in Jasper County that have an earnings tax, nor does Jasper County have an earnings tax and there are no plans to enact one in any of these entities.

Officials from the **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated that this petition requires the City of Kansas City to place to a vote the continuance of its earnings tax at 10-year renewals. If the taxes are not renewed they are phased out over a 10-year period.

The immediate expense of this petition is the cost of elections. Currently the City pays over \$500,000 to its various election authorities to conduct an election within the City of Kansas City.

There are secondary impacts as well. Budgeting and planning would be impossible knowing that revenues could decrease by the amount of the earnings tax over a period of years. Long term financial considerations would be impossible.

Staffing municipal government would be, at best, difficult because of the lack of stability in the workplace. This would leave those who might consider a career in government to avoid such service. Furthermore, with possible decreases in municipal pensions for those who have already served and retired, recruiting employees may be nearly impossible if the current wages and benefits are not weighed against a future pension.

An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

Each of these impacts has severe financial consequences which cannot be easily quantified. However, it is the impact of Petition 09-68 and the intended impact of the other petitions that present the most dire fiscal picture.

Petition 09-68 simply eliminates the earnings tax over a 10-year period. The following fiscal impacts would also apply to Petitions 09-60, 09-62, 09-64, and 09-66, as well as Petition 09-68, for it is apparent the ultimate intention of these petitions is the elimination of the earnings tax. When the earnings tax was first established at  $\frac{1}{2}\%$  and when it was increased to its current 1% the voters approved the tax. Four of the five applicable

petitions require yet another vote. The petitions are not simply an effort to allow the sunset of the taxes; it is an effort to keep voting until the taxes are eliminated.

More importantly, it is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the statutes that would be enacted by the petitions speak of the last federal decennial census; but the 2010 census will not be reported until 2011, after the statutes would go into effect. If the courts would interpret the statute to mean the last completed census Kansas City would fall below 450,000 people and the exceptions in the statutes because its 2000 census population was less than 450,000.

The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition and the resultant election if the earnings tax was eliminated, or the adoption of Petition 09-68 with its statutory revocation of the earnings tax is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Raymore** indicated the city does not currently have nor does it anticipate at this time to have an earnings tax in place. Therefore, this initiative petition would not have a fiscal impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)      -39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>	
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)      -8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615      53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase

tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger populated cities, this would not have any effect on the City of Wentzville.

Officials from the **City of West Plains** indicated to the best of their knowledge this petition does not have any fiscal impact on their city.

Officials from the **Rockwood R-VI School District** indicated it is not anticipated that any cost or savings will be realized from this measure.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have no fiscal impact on the state of Missouri, counties, or political subdivisions.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Governor's Office**, the **Office of the State Treasurer**, Boone County, Clay County, Cole County, Jackson County Legislators, St. Charles County, St. Louis County, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

The proposal could eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-68)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received November 23, 2009)

**Date**

December 11, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated the department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

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The **Department of Public Safety** assumes there will be no fiscal impact due to this initiative petition.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department. City earnings taxes are collected by local jurisdictions for general revenue purposes. Such taxes do not fund DSS programs.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Department of Transportation** indicated this initiative petition has no fiscal impact on their department.

The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011.

To the extent that existing earnings taxes are eliminated, those applicable proposals will have the following estimated fiscal impacts:

1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
3. Increased general and total state revenues. Local income taxes are deductible from federal income tax, if the taxpayer chooses to itemize deductions. Therefore, up to \$377.4M that is currently deducted may not be deducted from Missouri taxable income when fully implemented. However, not all taxpayers choose to itemize their taxes. The Missouri Dept. of Revenue reports to B&P that, in tax year 2008, \$105.9M in deductions were claimed for earnings taxes. Therefore, assuming a 4.5-percent effective individual income tax rate, this proposal will increase general and total state revenues by \$4.8M annually when fully implemented; \$0.5M in the first year.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the

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<sup>1</sup> <http://stlouis.missouri.org/citygov/comptroller/docs/cafr2008/FY08CAFR.pdf>, p. 207

<sup>2</sup> <http://www.kcmo.org/idc/groups/finance/documents/finance/cafr09.pdf>, p. A-62

purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from **Jasper County** indicated the proposed amendment to Ch. 92, RSMO as a result of the subject initiative would be of no cost to Jasper County or any city within Jasper County. In reviewing Ch. 92 in its current form, it appears that these statutes apply to charter cities only and not to counties. There are no cities in Jasper County that have an earnings tax, nor does Jasper County have an earnings tax and there are no plans to enact one in any of these entities.

Officials from the **City of Jefferson** indicated they do not anticipate any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated the immediate expense of this petition is the cost of elections. Currently the City pays over \$500,000 to its various election authorities to conduct an election within the City of Kansas City.

There are secondary impacts as well. Budgeting and planning would be impossible knowing that revenues could decrease by the amount of the earnings tax over a period of years. Long term financial considerations would be impossible.

Staffing municipal government would be, at best, difficult because of the lack of stability in the workplace. This would leave those who might consider a career in government to avoid such service. Furthermore, with possible decreases in municipal pensions for those who have already served and retired, recruiting employees may be nearly impossible if the current wages and benefits are not weighed against a future pension.

An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

Each of these impacts has severe financial consequences which cannot be easily quantified. However, it is the impact of Petition 09-68 and the intended impact of the other petitions that present the most dire fiscal picture.

Petition 09-68 simply eliminates the earnings tax over a 10-year period. The following fiscal impacts would also apply to Petitions 09-60, 09-62, 09-64, and 09-66, as well as Petition 09-68, for it is apparent the ultimate intention of these petitions is the elimination of the earnings tax. When the earnings tax was first established at  $\frac{1}{2}\%$  and when it was increased to its current 1% the voters approved the tax. Four of the five applicable petitions require yet another vote. The petitions are not simply an effort to allow the sunset of the taxes; it is an effort to keep voting until the taxes are eliminated.

More importantly, it is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the statutes that would be enacted by the petitions speak of the last federal decennial census; but the 2010 census will not be reported until 2011, after the statutes would go into effect. If the courts would interpret the statute to mean the last completed census Kansas City would fall below 450,000 people and the exceptions in the statutes because its 2000 census population was less than 450,000.

The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition and the resultant election if the earnings tax was eliminated, or the adoption of Petition 09-68 with its statutory revocation of the earnings tax is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Raymore** indicated the city does not currently have nor does it anticipate at this time to have an earnings tax in place. Therefore, this initiative petition would not have a fiscal impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)      -39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>	
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)      -8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615      53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase

tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger populated cities, this would not have any effect on the City of Wentzville.

Officials from the **City of West Plains** indicated to the best of their knowledge this petition does not have any fiscal impact on their city.

Officials from the **Rockwood R-VI School District** indicated it is not anticipated that any cost or savings will be realized from this measure.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have an unknown impact on certain political subdivisions of Missouri, Missouri counties, and the state of Missouri.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Governor's Office**, the **Office of the State Treasurer**, Boone County, Clay County, Cole County, Jackson County Legislators, St. Charles County, St. Louis County, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

The proposal would eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-70)**

**Subject**

Initiative petition from Barbara Schmitz regarding a proposed amendment to Chapter 273 of the Revised Statutes of Missouri. (Received November 25, 2009)

**Date**

December 15, 2009

**Description**

This proposal would amend Chapter 273 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Ketcher Law Firm, LLC** provided information in support of the initiative petition to the State Auditor's Office.

## **Assumptions**

The **Department of Agriculture** indicated that this initiative petition will add additional responsibilities to the department's Animal Care Program. There is core funding for current responsibilities of the Animal Care Program but the current level of funding is inadequate to meet the current level of responsibilities. The additional responsibilities added by the initiative petition cannot be accomplished with existing funding.

The Department is concerned about the legal ramifications and subsequent litigation costs that may arise given constitutional concerns over the ballot language as written.

The Animal Care Program does not have the financial resources it needs to meet the current program requirements. The additional requirements of this initiative petition would significantly increase program responsibilities and could not be accomplished without a commensurate significant increase in program funding.

The program would need 7.00 additional animal health officers, 1.00 Office Support Assistant, and related E&E to meet the additional inspection requirements regarding breeding frequencies, the reduced number of dogs allowed per kennel, veterinary care issues, and the other responsibilities specified in the petition. The estimated fiscal impact on state general revenue for program costs (based on first full fiscal year of implementation):

### On-going expenses

Salaries	\$291,087
Fringe benefits	\$152,646
<u>Exp/Equip</u>	<u>\$77,623</u>
Subtotal	\$521,356

### One-time expenses

<u>Exp/Equip</u>	<u>\$133,412</u>
Total	\$654,768

The **Department of Economic Development** indicated that this initiative petition will have no fiscal impact on their department.

The **Department of Higher Education** indicated that this initiative petition will have no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated the department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Labor and Industrial Relations** indicated this initiative petition will have no fiscal impact on the department.

The **Department of Revenue** indicated this initiative petition will not have a fiscal impact on the department.

The **Department of Public Safety** assumes there will be no fiscal impact due to this initiative petition.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Department of Transportation** indicated this initiative petition has no fiscal impact on their department.

The **Office of Administration** indicated that there should be no added cost or savings to the department if this statutory amendment is passed by the voters.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even

numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition regarding the creation of a new crime, puppy mill cruelty, a new class C misdemeanor may have limited impact on the State Public Defender System. If an indigent person were to be charged with this new state crime - it would be the Public Defender's responsibility to provide representation to him/her in the state courts. In fiscal year 2009, the State Public Defender provided representation in 21 cases for animal neglect and in 65 cases for animal abuse.

Officials from the **Office of the State Treasurer** indicated this initiative petition will not have any impact on their office.

Officials from **Jasper County** indicated if a new section to be known as 273.345 RSMO were added regulating puppy mills, Jasper County may incur increased law enforcement costs as we have an animal control division in our Sheriff's Department. I do not anticipate any appreciable increase in patrol costs as the animal control officer is on patrol regularly. If a puppy mill was uncovered where the animals involved were not being well taken care of under the provisions of this proposed law, then the County may have to place the animals in local animal shelters at a fee to the County. I would estimate the total costs involved to enforce this regulation at no more than \$10,000. This would include any unrecoverable costs paid to legitimate animal shelters mentioned previously.

Officials from **St. Louis County** indicated that this initiative petition would not impact St. Louis County Government in any way, except for the creation of a criminal prohibition which might from time-to-time be prosecuted by the Prosecuting Attorney. The statute would have no impact on the operation of County animal shelters.

Officials from the **City of Jefferson** indicated the city does not anticipate any fiscal impact should this petition become law.

Officials from the **City of St. Louis** indicated this initiative petition will save the City of St. Louis hundreds of thousands of dollars from the general fund. Each time a puppy mill is closed in out state Missouri the excess animals are shipped to the Humane Society of Eastern MO for medical care and adoption. This increases the burden of caring for strays and adoptable animals and makes it more costly and difficult for the City shelter to place the animals in our care.

The City takes in over 8,000 unwanted animals per year at a cost to the city of \$1,192,469 or approximately \$125 per animal. The City is in the process of building a new shelter at the cost of \$4 million dollars to meet the increasing demand for unwanted animals. Two other not-for profits are building shelters at this time as well.

Reducing the amount of excess breeding, abuse and abandonment currently occurring in puppy mills across the state is one of the most effective ways to reduce the cost to the taxpayers of the City of St. Louis for the care of unwanted and abused animals.

A conservative estimate is that this legislation will save the City of St. Louis from a minimum of \$200,000 annually to a maximum of \$4,000,000 one time expense for a new and expanded shelter.

Officials from the **Rockwood R-VI School District** indicated the district will have neither cost or savings from this measure.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Bradley Ketcher, Ketcher Law Firm, LLC** indicated in summary, the proposed initiative will have no or little fiscal impact on state or local government. In addition, it offers some opportunity for cost savings.

The State Auditor's Office did not receive a response from the **Attorney General's Office**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, **Boone County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Charles County**, the **City of Columbia**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirkwood**, the **City of Springfield**, **Cape Girardeau 63 School District**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

It is estimated state governmental entities will incur costs of \$654,768 (on-going costs of \$521,356 and one-time costs of \$133,412). Some local governmental entities may experience costs related to enforcement activities and savings related to reduced animal care activities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-71)**

**Subject**

Initiative petition from Barbara Schmitz regarding a proposed amendment to Chapter 273 of the Revised Statutes of Missouri. (Received November 25, 2009)

**Date**

December 15, 2009

**Description**

This proposal would amend Chapter 273 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Ketcher Law Firm, LLC** provided information in support of the initiative petition to the State Auditor's Office.

## **Assumptions**

The **Department of Agriculture** indicated that this initiative petition will add additional responsibilities to the department's Animal Care Program. There is core funding for current responsibilities of the Animal Care Program but the current level of funding is inadequate to meet the current level of responsibilities. The additional responsibilities added by the initiative petition cannot be accomplished with existing funding.

The Department is concerned about the legal ramifications and subsequent litigation costs that may arise given constitutional concerns over the ballot language as written.

The Animal Care Program does not have the financial resources it needs to meet the current program requirements. The additional requirements of this initiative petition would significantly increase program responsibilities and could not be accomplished without a commensurate significant increase in program funding.

The program would need 7.00 additional animal health officers, 1.00 Office Support Assistant, and related E&E to meet the additional inspection requirements regarding breeding frequencies, the reduced number of dogs allowed per kennel, veterinary care issues, and the other responsibilities specified in the petition. The estimated fiscal impact on state general revenue for program costs (based on first full fiscal year of implementation):

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Subtotal	\$521,356

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Total	\$654,768

The **Department of Economic Development** indicated that this initiative petition will have no fiscal impact on their department.

The **Department of Higher Education** indicated that this initiative petition will have no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated the department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Labor and Industrial Relations** indicated this initiative petition will have no fiscal impact on the department.

The **Department of Revenue** indicated this initiative petition will not have a fiscal impact on the department.

The **Department of Public Safety** assumes there will be no fiscal impact due to this initiative petition.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Department of Transportation** indicated this initiative petition has no fiscal impact on their department.

The **Office of Administration** indicated that there should be no added cost or savings to the department if this statutory amendment is passed by the voters.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even

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Officials from the **Office of the State Treasurer** indicated this initiative petition will not have any impact on their office.

Officials from **Jasper County** indicated if a new section to be known as 273.345 RSMO were added regulating puppy mills, Jasper County may incur increased law enforcement costs as we have an animal control division in our Sheriff's Department. I do not anticipate any appreciable increase in patrol costs as the animal control officer is on patrol regularly. If a puppy mill was uncovered where the animals involved were not being well taken care of under the provisions of this proposed law, then the County may have to place the animals in local animal shelters at a fee to the County. I would estimate the total costs involved to enforce this regulation at no more than \$10,000. This would include any unrecoverable costs paid to legitimate animal shelters mentioned previously.

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Officials from the **City of Jefferson** indicated the city does not anticipate any fiscal impact should this petition become law.

Officials from the **City of St. Louis** indicated this initiative petition will save the City of St. Louis hundreds of thousands of dollars from the general fund. Each time a puppy mill is closed in out state Missouri the excess animals are shipped to the Humane Society of Eastern MO for medical care and adoption. This increases the burden of caring for strays and adoptable animals and makes it more costly and difficult for the City shelter to place the animals in our care.

The City takes in over 8,000 unwanted animals per year at a cost to the city of \$1,192,469 or approximately \$125 per animal. The City is in the process of building a new shelter at the cost of \$4 million dollars to meet the increasing demand for unwanted animals. Two other not-for profits are building shelters at this time as well.

Reducing the amount of excess breeding, abuse and abandonment currently occurring in puppy mills across the state is one of the most effective ways to reduce the cost to the taxpayers of the City of St. Louis for the care of unwanted and abused animals.

A conservative estimate is that this legislation will save the City of St. Louis from a minimum of \$200,000 annually to a maximum of \$4,000,000 one time expense for a new and expanded shelter.

Officials from the **Rockwood R-VI School District** indicated the district will have neither cost or savings from this measure.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Bradley Ketcher, Ketcher Law Firm, LLC** indicated in summary, the proposed initiative will have no or little fiscal impact on state or local government. In addition, it offers some opportunity for cost savings.

The State Auditor's Office did not receive a response from the **Attorney General's Office**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, **Boone County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Charles County**, the **City of Columbia**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirkwood**, the **City of Springfield**, **Cape Girardeau 63 School District**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

It is estimated state governmental entities will incur costs of \$654,768 (on-going costs of \$521,356 and one-time costs of \$133,412). Some local governmental entities may experience costs related to enforcement activities and savings related to reduced animal care activities.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-72)**

**Subject**

Initiative petition from Jo Sapp regarding a proposed amendment to Chapter 115 of the Revised Statutes of Missouri. (Received December 1, 2009)

**Date**

December 21, 2009

**Description**

This proposal would amend Chapter 115 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Jefferson**, the **City of Kansas City**, the **City of Kirksville**, the **City of St. Louis**, the **City of Union**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Assumptions**

The **Attorney General's Office** assumes that any potential costs arising from this proposal can be absorbed with existing resources.

The **Department of Economic Development** indicated that this initiative petition will have no impact on their department.

The **Department of Higher Education** indicated that this initiative petition will have no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition does not appear to place any requirements upon the department that would result in a fiscal impact.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Labor and Industrial Relations** indicated this initiative petition will have no fiscal impact on the department.

The **Department of Revenue** indicated this initiative petition will not have a fiscal impact on the department.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department.

Officials from the **Governor's Office** indicated there should be no added costs to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Transportation** indicated this initiative petition has no fiscal impact on their department.

The **Office of Administration** indicated this amendment to the Missouri Revised Statutes allows registered voters to vote by advance ballot in federal general elections. The advanced voting period begins with the third Wednesday before such election, including weekends. Central and satellite voting sites are required. Costs incurred by an election authority to comply with this act shall be paid by the state.

This proposal will have no fiscal impact on the Office of Administration. Budget and Planning defers to the Secretary of State's Office for statewide costs of election authorities.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

This measure will require the Secretary of State to reimburse local election authorities for increased costs. The measure will require the Secretary of State to reimburse local election authorities for operating satellite locations, including payment for election judges and the equipment necessary for federal general elections.

Based on the current distribution of registered voters, the measure would require 50 satellite sites for advance voting for 17 election authorities using the 50,000 registered voter formula - St. Louis City (5), St. Louis County (15), Kansas City (4), Jackson County (4) and the counties of Cape Girardeau (1), Christian (1), Cole (1), Buchanan (1), Franklin (1), Cass (1), Platte (1), Jasper (1), Boone (2), Clay (3), Jefferson (2), Greene (3), St. Charles (4). The fiscal note assumes that each central voting location would be staffed by two election judges paid \$9 per hour for the 150 hours they will be open for advance voting and each advance voting satellite voting location would be staffed by four election judges paid \$9 per hour for the 150 hours that they will be open for advance voting - a total of \$583,200 per federal general election. Election authorities could also incur ongoing costs for maintenance of the satellite locations, including rent, utilities, and broadband internet service, in the approximate amount of \$500 per satellite location for one month or a total of \$25,000 per federal general election.

Local election authorities would incur one-time costs for the purchase of equipment necessary for advance voting at the satellite locations, including accessible voting machines for disabled voters, laptop computers and printers:

1 accessible voting machine per satellite site= \$5,000  
2 laptop computers per satellite site = \$1,600  
1 ballot on demand printer per satellite site = \$7,500  
\$14,100 per satellite site multiplied by 50 satellite sites = \$ 705,000 initial start up costs, of which \$250,000 could be paid for with federal funds under the Help America Vote Act.

The effective date of the measure is November 2010 so increased costs would occur to the state upon approval of the voters:

FY 2013 - November 2012 federal general election  
Total cost for FY 2013 \$1,063,200 - election subsidy fund  
+ \$ 250,000 - HAVA fund  
\$1,313,200 Total

FY 2015 - November 2014 federal general election  
Total cost for FY 2015 \$608,200 - election subsidy fund

Upon request, the Secretary of State provided the following points of clarification:

### Rent Costs

Costs were estimated based on a sampling of what four Local Election Authorities would pay in rent, utilities and broadband internet service. These four Local Election Authorities were Christian County (\$176/satellite/early voting period), Cole County (\$525/satellite/early voting period), Jasper County (\$338/satellite/early voting period), and St Louis County (\$1017/satellite/early voting period). The average is approximately \$500. Each of these Local Election Authorities would be impacted by the initiative because of the number of registered voters in those jurisdictions.

### Payment to Poll workers

Costs were estimated based on a sampling of stipends paid to poll workers by four Local Election Authorities. These four Local Election Authorities were Jefferson County (\$105/day), St Charles County (\$100/day), St Louis City (\$75/day), and St Louis County (\$85/day). The average is approximately \$9/hour. Each of these Local Election Authorities would be impacted by the initiative because of the number of registered voters in those jurisdictions.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any impact on their office.

Officials from the **Office of the State Treasurer** indicated this initiative petition will not have any impact on their office.

Officials from **Jasper County** indicated they estimate the cost for early voting workers would be \$280 per day for 4 workers. Other costs are unknown, because of number of days early voting would be. We do believe it would be very costly to the county.

Officials from **St. Charles County** indicated this petition creates satellite sites for advanced voting.

**FIRST ELECTION**

Additional site locations rent:	\$ 28,800.00
Judges:	\$100,000.00
Van rental/workers to Deliver ballots:	\$ 8,800.00
Computers:	\$ 15,000.00
Software programming to provide on site lists for voters wanting to know who has already voted in advance. 115.276.1 Sub Section 10, including Election Authority staff time:	\$ 20,000.00
Internet:	\$ 2,000.00
Ballots:	\$147,000.00
Secure Storage at satellite sites:	\$ 10,000.00
Saturday & Sunday Overtime:	\$ 3,000.00
<b>TOTAL:</b>	<b>\$334,600.00</b>

**EACH ADDITIONAL ELECTION**

<b>TOTAL:</b>	<b>\$289,600.00</b>
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Officials from **St. Louis County** indicated this amendment creates a system to allow voters to cast advance ballots at central voting locations and satellite sites. The advance voting period will begin the third Wednesday prior to an election and shall be conducted during regular business hours between 7:00 a.m. and 7:00 p.m. and until 12:00 p.m. on Saturdays and Sundays. The election authority shall consider factors including geographic location and demographics of the registered voters from the previous election to ensure nondiscrimination and provide adequate notice of the central locations and the satellite sites that are chosen.

This bill does not require paper ballots, and only requires advance voting in federal elections. The intent of this note is to delineate all direct costs (one-time, startup

and recurring) to the LEA. Costs are calculated assuming 1 central location and 14 satellite sites will be utilized.

**1ST YEAR (2012) RECURRING FIXED COSTS (Annual):**

**Satellite Site Costs**

Site Lease (21 days continuous) \$250 per day x 14 sites x 1 elections.....	\$73,500
Equipment set-up, delivery, pick-up, storage, truck rental fees \$2,000 per site x 14 sites x 1 elections.....	28,000
High-Speed internet MIFI monthly fees 12 months @ \$60/mo x 14 sites...10,080	
Travel/mileage Reimbursement \$.55 per mile x 30 miles average per FTE x 2 x 14 sites x 14 working days x 1 elections.....	6,468
24 hr. security \$240 per day x 14 sites x 21 days x 1 elections.....	70,560
Office supplies, pencils, pens, paper, etc. \$20 per site x 15 x 1 elections.....	300
Legal Review \$125 per hr. x 6 hrs per site x 14 sites.....	\$10,500
Total Recurring Satellite Site Costs:.....	\$199,408

**Full-time Labor**

Thirty (30) additional FTEs (“full-time equivalents”), (2 per site) @ \$32,000 per year.....	\$960,000
Benefits (\$11,729 x 30).....	351,870
Trainers (\$16.00 per hr. x 6 hrs. x 4 sessions x 2 trainers).....	768
Site Research and Setup (\$18.00 per hr. x 1000 hrs.).....	\$18,000
Total Full-time labor costs:.....	\$1,330,368

**Part-time Labor**

Ninety (90) additional PTEs (“part-time equivalents”), (6 per site) @ \$10.00 per hr. x 10 hrs. per day x 14 days per election x 1 elections..	\$126,000
Benefits (\$410 x 90 x 1 elections).....	36,900
Training (\$10.00 per hr. x 6 x 90).....	\$5,400
Total Part-time labor costs:.....	\$168,300

Total Annual year labor Costs:.....\$1,498,668

**Miscellaneous Costs**

Software License Maintenance/Upgrades 120 DREs @ \$159 each per year (8 per site).....	\$19,080
PC Laptop Software Maintenance/Upgrades 56 Laptops @ \$250 per year.....	\$14,000
Informational Postcards for advance voting 447,275 households x .20 x one (1) elections.....	\$89,455
Processing fees for providing voter lists Paper, CD's, mailing fees, personnel time.....	\$9,156
Total Recurring Miscellaneous Costs.....	\$131,691

Total Recurring Annual Costs:.....\$1,829,767

## NON-RECURRING, START UP COSTS

### Equipment

56 laptop PCs @ \$1,000 each (4 per site) x 14.....	\$56,000
120 DREs @ \$3,500 each (eight per site) x 15.....	420,000
30 SSTs (Security, Transport, Storage) Carts @ \$570 each for DREs (2 per site) x 15.....	17,100
14 High-Speed internet MIFI cards @ \$300.00 per card.....	4,200
Tables, chairs, signs, posters cell phones \$400 per site x 14.....	5,600
Training manuals.....	\$2,000
Total non-recurring equipment costs:.....	\$504,900

### Labor

One (1) additional FTE, @ \$32,000 per year for 6 months for site research and setup.....	\$16,000
Benefits.....	5,865
One (1) additional FTE, @ \$43,000 per year for 6 months for programming changes.....	\$21,500
Benefits.....	7,881
Total non-recurring labor costs: .....	\$51,246
Total non-recurring Costs:.....	\$556,146
Total Costs 1st Year (2012).....	\$2,385,913
Total Costs 2nd Year (2013).....	none
Total Costs 3rd Year (2014).....	\$1,829,767

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no significant fiscal impact on their organization.

The **State Auditor's Office** assumes that 50 satellite voting sites will be required.

One-time estimated costs:

\$705,000 for local election authorities to equip the satellite locations at \$14,100 per satellite

On-going estimated costs (for each federal general election):

\$315,000 for 4 election judges at each of the satellite locations for 15 days at \$105 per day

\$50,850 for maintenance of the satellite locations, including rent, utilities, and broadband internet service at \$1,017 per satellite

\$365,400 for 2 election judges at each central voting location (114 counties plus the City of St. Louis and Kansas City) for 15 days at \$105 per day

Total estimated costs:

\$705,000 one-time + \$731,250 on-going (for each federal general election) = \$1,436,250

The estimated costs for any given fiscal year will fluctuate based on the number of federal general elections. In FY 2011, FY 2012, and FY 2014 there are no federal general elections after the effective date of the proposal, so accordingly, state costs are estimated to be \$0. In FY 2013 there is 1 federal general election with estimated costs of \$705,000 (one-time) plus \$731,250 (on-going) for a total of \$1,436,250. In FY 2015 there is 1 federal general election with estimated costs of \$731,250.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Public Safety**, the **Department of Conservation**, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Greene County, Jackson County Legislators, Taney County, the City of Jefferson, the City of Kansas City, the City of Kirksville, the City of St. Louis, the City of Union, Cape Girardeau 63 School District, Hannibal 60 School District, Rockwood R-VI School District, University of Missouri, St. Louis Community College.

### **Fiscal Note Summary**

State governmental entities will incur estimated costs of \$1,436,250 or more in fiscal year 2013 (one-time costs of \$705,000 and on-going costs for each federal general election of \$731,250). It is estimated there is no cost to local governmental entities since costs of the proposal shall be paid by the state.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-73)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received December 7, 2009)

**Date**

December 24, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this initiative petition will not impact the department.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department. City earnings taxes are collected by local jurisdictions for general revenue purposes. Such taxes do not fund DSS programs.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011; 5) establishes a legislative joint committee to determine a plan to replace earnings tax revenues.

To the extent that existing earnings taxes are eliminated, those applicable proposals will have the following estimated fiscal impacts:

1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
3. Increased general and total state revenues. Local income taxes are deductible from federal income tax, if the taxpayer chooses to itemize deductions. Therefore, up to \$377.4M that is currently deducted may not be deducted from Missouri taxable income when fully implemented. However, not all taxpayers choose to itemize their taxes. The Missouri Dept. of Revenue reports to B&P that, in tax year 2008, \$105.9M in deductions were claimed for earnings taxes. Therefore, assuming a 4.5-percent effective individual income tax rate, this proposal will increase general and total state revenues by \$4.8M annually when fully implemented; \$0.5M in the first year.

The provisions establishing the Joint Committee on Earnings Tax Revenue Replacement provide for reimbursement of members expenses. The Committee may also request assistance from the General Assembly's appropriations and research staffs, as well as the Departments of Revenue and Economic Development. B&P defers to those entities for estimated fiscal impacts.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the

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<sup>1</sup> <http://stlouis.missouri.org/citygov/comptroller/docs/cafr2008/FY08CAFR.pdf>, p. 207

<sup>2</sup> <http://www.kcmo.org/idc/groups/finance/documents/finance/cafr09.pdf>, p. A-62

ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from the **Office of the State Treasurer** indicated this initiative petition will not have any impact on their office.

Officials from **Jasper County** indicated the proposed amendments to Ch. 92, RSMO as a result of the subject initiatives would be of no cost to Jasper County or any city within Jasper County. In reviewing Ch. 92 in its current form, it appears that these statutes may apply to charter cities only and not to counties. There are no cities in Jasper County that have an earnings tax, nor that meet the criteria described in subject initiatives. Jasper County nor any cities in Jasper County have an earnings tax and there are no plans to enact one.

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated they wish to incorporate their prior statements regarding the impact of the elimination of the earnings tax, as the five revised petitions appear to exclude Kansas City, but because of concerns regarding the drafting and subsequent interpretation of the petition, there is a risk a court would find the drafters failed to exclude Kansas City even though that is the intention.

Their prior statements regarding the impact of the elimination of the earnings tax are as follows:

Staffing municipal government would be, at best, difficult because of the lack of stability in the workplace. This would leave those who might consider a career in government to avoid such service. Furthermore, with possible decreases in municipal pensions for those who have already served and retired, recruiting employees may be nearly impossible if the current wages and benefits are not weighed against a future pension.

An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

It is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the

statutes that would be enacted by the petitions speak of the last federal decennial census; but the 2010 census will not be reported until 2011, after the statutes would go into effect. If the courts would interpret the statute to mean the last completed census Kansas City would fall below 450,000 people and the exceptions in the statutes because its 2000 census population was less than 450,000.

The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state

functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition if the earnings tax was eliminated, is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Raymore** indicated the city does not currently have nor does it anticipate at this time to have an earnings tax in place. Therefore, this initiative petition would not have a fiscal impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)      -39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>	
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)      -8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615      53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger population cities, this would not have any effect on the City of Wentzville.

Officials from the **Rockwood R-VI School District** indicated they see no cost or savings associated with this measure.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have no fiscal impact on the state of Missouri, counties, or political subdivisions.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Department of Transportation**, **Boone County**, **Clay County**, **Cole County**, **Jackson County**, **Legislators**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

The proposal could eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-74)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received December 7, 2009)

**Date**

December 24, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this initiative petition will not impact the department.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department. City earnings taxes are collected by local jurisdictions for general revenue purposes. Such taxes do not fund DSS programs.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011; 5) establishes a legislative joint committee to determine a plan to replace earnings tax revenues.

To the extent that existing earnings taxes are eliminated, those applicable proposals will have the following estimated fiscal impacts:

1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
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The provisions establishing the Joint Committee on Earnings Tax Revenue Replacement provide for reimbursement of members expenses. The Committee may also request assistance from the General Assembly's appropriations and research staffs, as well as the Departments of Revenue and Economic Development. B&P defers to those entities for estimated fiscal impacts.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the

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ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from the **Office of the State Treasurer** indicated this initiative petition will not have any impact on their office.

Officials from **Jasper County** indicated the proposed amendments to Ch. 92, RSMO as a result of the subject initiatives would be of no cost to Jasper County or any city within Jasper County. In reviewing Ch. 92 in its current form, it appears that these statutes may apply to charter cities only and not to counties. There are no cities in Jasper County that have an earnings tax, nor that meet the criteria described in subject initiatives. Jasper County nor any cities in Jasper County have an earnings tax and there are no plans to enact one.

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated they wish to incorporate their prior statements regarding the impact of the elimination of the earnings tax, as the five revised petitions appear to exclude Kansas City, but because of concerns regarding the drafting and subsequent interpretation of the petition, there is a risk a court would find the drafters failed to exclude Kansas City even though that is the intention.

Their prior statements regarding the impact of the elimination of the earnings tax are as follows:

Staffing municipal government would be, at best, difficult because of the lack of stability in the workplace. This would leave those who might consider a career in government to avoid such service. Furthermore, with possible decreases in municipal pensions for those who have already served and retired, recruiting employees may be nearly impossible if the current wages and benefits are not weighed against a future pension.

An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

It is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the

statutes that would be enacted by the petitions speak of the last federal decennial census; but the 2010 census will not be reported until 2011, after the statutes would go into effect. If the courts would interpret the statute to mean the last completed census Kansas City would fall below 450,000 people and the exceptions in the statutes because its 2000 census population was less than 450,000.

The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state

functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition if the earnings tax was eliminated, is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Raymore** indicated the city does not currently have nor does it anticipate at this time to have an earnings tax in place. Therefore, this initiative petition would not have a fiscal impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)      -39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>	
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)      -8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615      53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger population cities, this would not have any effect on the City of Wentzville.

Officials from the **Rockwood R-VI School District** indicated they see no cost or savings associated with this measure.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have no fiscal impact on the state of Missouri, counties, or political subdivisions.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Department of Transportation**, **Boone County**, **Clay County**, **Cole County**, **Jackson County**, **Legislators**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**.

#### **Fiscal Note Summary**

The proposal could eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-75)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received December 7, 2009)

**Date**

December 24, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

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Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

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An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

It is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the

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FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state

functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition if the earnings tax was eliminated, is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Raymore** indicated the city does not currently have nor does it anticipate at this time to have an earnings tax in place. Therefore, this initiative petition would not have a fiscal impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)      -39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>	
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)      -8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615      53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger population cities, this would not have any effect on the City of Wentzville.

Officials from the **Rockwood R-VI School District** indicated they see no cost or savings associated with this measure.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have no fiscal impact on the state of Missouri, counties, or political subdivisions.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Department of Transportation**, **Boone County**, **Clay County**, **Cole County**, **Jackson County**, **Legislators**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**.

#### **Fiscal Note Summary**

The proposal could eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-76)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received December 7, 2009)

**Date**

December 24, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated this initiative petition is a no impact note for the department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this initiative petition will not impact the department.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department. City earnings taxes are collected by local jurisdictions for general revenue purposes. Such taxes do not fund DSS programs.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011; 5) establishes a legislative joint committee to determine a plan to replace earnings tax revenues.

To the extent that existing earnings taxes are eliminated, those applicable proposals will have the following estimated fiscal impacts:

1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
3. Increased general and total state revenues. Local income taxes are deductible from federal income tax, if the taxpayer chooses to itemize deductions. Therefore, up to \$377.4M that is currently deducted may not be deducted from Missouri taxable income when fully implemented. However, not all taxpayers choose to itemize their taxes. The Missouri Dept. of Revenue reports to B&P that, in tax year 2008, \$105.9M in deductions were claimed for earnings taxes. Therefore, assuming a 4.5-percent effective individual income tax rate, this proposal will increase general and total state revenues by \$4.8M annually when fully implemented; \$0.5M in the first year.

The provisions establishing the Joint Committee on Earnings Tax Revenue Replacement provide for reimbursement of members expenses. The Committee may also request assistance from the General Assembly's appropriations and research staffs, as well as the Departments of Revenue and Economic Development. B&P defers to those entities for estimated fiscal impacts.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even

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<sup>1</sup> <http://stlouis.missouri.org/citygov/comptroller/docs/cafr2008/FY08CAFR.pdf>, p. 207

<sup>2</sup> <http://www.kcmo.org/idc/groups/finance/documents/finance/cafr09.pdf>, p. A-62

numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from **Jasper County** indicated the proposed amendments to Ch. 92, RSMO as a result of the subject initiatives would be of no cost to Jasper County or any city within Jasper County. In reviewing Ch. 92 in its current form, it appears that these statutes may apply to charter cities only and not to counties. There are no cities in Jasper County that have an earnings tax, nor that meet the criteria described in subject initiatives. Jasper County nor any cities in Jasper County have an earnings tax and there are no plans to enact one.

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated they wish to incorporate their prior statements regarding the impact of the elimination of the earnings tax, as the five revised petitions appear to exclude Kansas City, but because of concerns regarding the drafting and subsequent interpretation of the petition, there is a risk a court would find the drafters failed to exclude Kansas City even though that is the intention.

Their prior statements regarding the impact of the elimination of the earnings tax are as follows:

Staffing municipal government would be, at best, difficult because of the lack of stability in the workplace. This would leave those who might consider a career in government to avoid such service. Furthermore, with possible decreases in municipal pensions for those who have already served and retired, recruiting employees may be nearly impossible if the current wages and benefits are not weighed against a future pension.

An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

It is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the

statutes that would be enacted by the petitions speak of the last federal decennial census; but the 2010 census will not be reported until 2011, after the statutes would go into effect. If the courts would interpret the statute to mean the last completed census Kansas City would fall below 450,000 people and the exceptions in the statutes because its 2000 census population was less than 450,000.

The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state

functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition if the earnings tax was eliminated, is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Kirkwood** indicated the initiative petition does not have any impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies

widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>	
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>	
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>	
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>	
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>	
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)</b>	<b>-39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>		
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)</b>	<b>-8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615</b>	<b>53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger population cities, this would not have any effect on the City of Wentzville.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have no fiscal impact on the state of Missouri, counties, or political subdivisions.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Department of Transportation**, **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County** **Legislators**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

The proposal could eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (09-77)**

**Subject**

Initiative petition from Marc Ellinger regarding a proposed amendment to Chapter 92 of the Revised Statutes of Missouri. (Received December 7, 2009)

**Date**

December 24, 2009

**Description**

This proposal would amend Chapter 92 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

**Public comments and other input**

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

**Marc Ellinger** provided information as a proponent of the proposal to the State Auditor's Office.

## **Assumptions**

Officials from the **Attorney General's Office** assumed that implementation of this proposal would create no fiscal impact on their office.

The **Department of Higher Education** indicated that this initiative petition would not have any direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated this initiative petition is a no impact note for the department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this initiative petition will not impact the department.

The **Department of Social Services** indicated that this initiative petition will not have any fiscal impact to the department. City earnings taxes are collected by local jurisdictions for general revenue purposes. Such taxes do not fund DSS programs.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is approved by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact is expected to their department as a result of this proposal.

The **Office of Administration** indicated that Budget and Planning (B&P) has reviewed these petitions from the State Auditor's Office. The petitions provide statutory changes related to local earnings taxes. The various petitions contain one or more of the following main components: 1) requires voter approval every five or ten years for continuation of the tax; 2) phases out the earnings tax over a five-year or ten-year period; 3) eliminates the earnings tax; 4) prohibits additional cities from establishing an earnings tax after 2011; 5) establishes a legislative joint committee to determine a plan to replace earnings tax revenues.

To the extent that existing earnings taxes are eliminated, those applicable proposals will have the following estimated fiscal impacts:

1. Office of Administration. There will be minimal fiscal impact on the Office of Administration due to changes needed in the state's payroll system related to the withholding of applicable employees' local earnings taxes. The Office of Administration expects to absorb these costs within existing resources.
2. Reduced local revenues. According to the St. Louis City 2008 CAFR<sup>1</sup> approximately \$174.9M in earnings taxes are collected annually. Similarly, the Kansas City 2009 CAFR<sup>2</sup> reports \$202.5M in annual earnings taxes. Therefore, this proposal would lower local revenues by \$377.4M when fully implemented.
3. Increased general and total state revenues. Local income taxes are deductible from federal income tax, if the taxpayer chooses to itemize deductions. Therefore, up to \$377.4M that is currently deducted may not be deducted from Missouri taxable income when fully implemented. However, not all taxpayers choose to itemize their taxes. The Missouri Dept. of Revenue reports to B&P that, in tax year 2008, \$105.9M in deductions were claimed for earnings taxes. Therefore, assuming a 4.5-percent effective individual income tax rate, this proposal will increase general and total state revenues by \$4.8M annually when fully implemented; \$0.5M in the first year.

The provisions establishing the Joint Committee on Earnings Tax Revenue Replacement provide for reimbursement of members expenses. The Committee may also request assistance from the General Assembly's appropriations and research staffs, as well as the Departments of Revenue and Economic Development. B&P defers to those entities for estimated fiscal impacts.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even

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<sup>1</sup> <http://stlouis.missouri.org/citygov/comptroller/docs/cafr2008/FY08CAFR.pdf>, p. 207

<sup>2</sup> <http://www.kcmo.org/idc/groups/finance/documents/finance/cafr09.pdf>, p. A-62

numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative will not have any impact on their office.

Officials from **Jasper County** indicated the proposed amendments to Ch. 92, RSMO as a result of the subject initiatives would be of no cost to Jasper County or any city within Jasper County. In reviewing Ch. 92 in its current form, it appears that these statutes may apply to charter cities only and not to counties. There are no cities in Jasper County that have an earnings tax, nor that meet the criteria described in subject initiatives. Jasper County nor any cities in Jasper County have an earnings tax and there are no plans to enact one.

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated they wish to incorporate their prior statements regarding the impact of the elimination of the earnings tax, as the five revised petitions appear to exclude Kansas City, but because of concerns regarding the drafting and subsequent interpretation of the petition, there is a risk a court would find the drafters failed to exclude Kansas City even though that is the intention.

Their prior statements regarding the impact of the elimination of the earnings tax are as follows:

Staffing municipal government would be, at best, difficult because of the lack of stability in the workplace. This would leave those who might consider a career in government to avoid such service. Furthermore, with possible decreases in municipal pensions for those who have already served and retired, recruiting employees may be nearly impossible if the current wages and benefits are not weighed against a future pension.

An emaciated general fund could also preclude the issuance of any bonds that relied upon the City's credit since the earnings tax is a large percentage of the City's general fund.

It is also possible that this petition would automatically eliminate the earnings tax in Kansas City because the exceptions are tied to the federal census. If the City is reported to have less than 450,000 people in the federal census there are no exceptions. The petition does not reflect any recognition of the City's ability to appeal the federal government's first assessment as it has successfully done in recent years. Also, the

statutes that would be enacted by the petitions speak of the last federal decennial census; but the 2010 census will not be reported until 2011, after the statutes would go into effect. If the courts would interpret the statute to mean the last completed census Kansas City would fall below 450,000 people and the exceptions in the statutes because its 2000 census population was less than 450,000.

The most recent adopted budget reflects the following receipts attributable to the earnings tax:

FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
(Actual)	(Actual)	(Estimated)	(Budgeted)
\$198,023,750	\$201,252,331	\$202,400,000	\$199,200,000

Exclusive of special revenue, enterprise funds, and special assessments, these sums represent approximately 38% of the City's general revenue that may be devoted to general fund supported programs.

The exclusion of this revenue would further restrict the City of Kansas City in its obligations to its citizens. The revenue these petitions would periodically place in jeopardy equal the elimination of all general fund support of these departments and offices: City Attorney's Office, City Auditor's Office, City Clerk's Office, City Planning and Development Department, Finance Department, Fire Department, General Services Department, Human Resources Department, Information Technology Department, Municipal Court, Neighborhood & Community Services Department, Office of City Manager, Parks and Recreation Department, and the Public Works Department.

Options would have to be presented to the voters to determine what other revenue sources would be appropriate. For example, to recover the lost earnings tax revenue property taxes would need to be increased by about 500%. Utility taxes, which are passed through to customers, would have to more than triple. Court fines would have to increase by 1,100%. Of course, many of these revenue increases would require statutory or constitutional changes and approval by the voters.

Additionally, the options are limited for alternative revenue because authorized sales taxes are already devoted to specific purposes with only a small portion of a penny available for capital improvements – not for general fund activities that would be eliminated by the initiatives.

It is not hyperbole to state that elimination of the earnings tax without replacement revenue could render the City of Kansas City unlivable. The City has already cut over \$80 million from its budget for the current year, and may need to reduce another \$60 million next year – even though the earnings tax exists.

The expectations people have of local government already exceed the ability to perform in many instances. The State of Missouri is in no place to provide funding for municipal purposes; it already allows local government like Kansas City to take on county or state

functions such as the public health care subsidies provided to safety net providers through a special property tax.

The fiscal impact of the adoption of this petition if the earnings tax was eliminated, is currently \$200 million with a domino effect for the city that would render the losses devastating.

Officials from the **City of Kirkwood** indicated the initiative petition does not have any impact on the city.

Officials from the **City of St. Louis** indicated they believe that the fiscal impact of the changes to the earnings tax statutes proposed in some of these initiative petitions could be both disastrously serious and disastrously negative. There may be a legal question as to whether some of the petitions would apply to the City of St. Louis. They are not ready to take a position on those matters. Therefore, the City's analysis assumes all ten of the petitions would apply to the City of St. Louis.

The 1% earnings tax is responsible for \$141-million or approximately 39% of the City's discretionary revenue. If the City were to lose all or most of that revenue, it could no longer function as a viable municipal government. The consequences of losing all or most of the earnings tax revenue without replacing it with alternative sources of revenue and/or eliminating extra costs created by the City's unique structure would result in cuts to public safety services so deep as to end the City's viability as a place to live, work and visit.

Also related to the phase out of the tax, unless the revenue lost is replaced by revenue from another source simultaneously, there would be serious cash-flow consequences regardless of the phase-in period. And costs will increase due to inflation over the phase-out period, adding to the impact of the earnings tax loss. Whatever the time line, if the City did not replace the lost revenue and/or reduce its administrative costs, the consequences would be disastrous.

On the other hand, it is possible that the voters would choose to keep the earnings tax in place. If so, there would be no fiscal impact.

If the voters chose to eliminate it, the people could replace the earnings tax with different taxes, higher tax rates, or new revenue streams, the State of Missouri might help replace it, or the City could gain relief from some of the unique administrative expenses of being a City not within a county. Any or all of those might result in a more friendly tax environment which could over time attract more people, businesses and jobs into the City. That could result in an increase in tax revenues. Predicting whether that will occur, how long it would take, and by how much revenue would grow is not possible for us. Therefore, they will not make any projections regarding that possibility.

Proponents of the initiative petitions argue the petitions would give the City of St. Louis time to find alternatives to an unpopular tax. But, the time available to the City varies

widely in the petitions from as little as two years to begin phasing it out, to ten years to eliminate it. It is almost impossible to imagine the City could replace 20% of the earnings tax within two years, or eliminate it entirely within five years. However, it is not outlandish to think the City could find ways to replace it within a decade.

Because they do not know which of the ten petitions will go forward, and because it is difficult to predict the City's chances of successfully replacing the earnings tax within the required time lines, they will provide fiscal information on what would happen if the City utterly fails to replace the tax. As this chart shows, the earnings tax makes up 39% of the current general fund budget. If the City were to lose that source of funding, it would be forced to make deep cuts in vital city services including police and fire. Those cuts most certainly would result in a loss of businesses and population. If you assume the City were to lose 10% of its businesses and 10% of its population, it would lose another \$31-million in tax revenue. So, combined, the City would lose 47% of its current general fund budget.

#### **CITY GENERAL FUND--FY2010 BUDGET**

<b>General Fund Budget:</b>	<b>\$453,899,455</b>	
<b>LESS: Debt Service Payments:</b>	<b>(\$30,184,975)</b>	
<b>LESS: State-Mandated Services:</b>	<b>(\$53,300,270)</b>	
<b>LESS: Other Mandatory Payments:</b>	<b>(\$3,833,754)</b>	
<b>General Fund "Discretionary" Income:</b>	<b>\$366,580,456</b>	
<b>Estimated Direct Loss--Earnings Tax:</b>	<b>(\$141,225,000)</b>	<b>-39%</b>
<b>Estimated Indirect Loss--Other City Revenue</b>		
<b>Sources Affected by Business and Population Losses:</b>	<b>(\$30,614,841)</b>	<b>-8%</b>
<b>Remaining Discretionary Income:</b>	<b>\$194,740,615</b>	<b>53%</b>

Obviously, if the City lost 47% of its discretionary funding, the results would be so disastrous that they would result in the City's ruin. For instance, the elimination of the estimated 47% of City General Fund revenues would result in the elimination of more than 2000 jobs. The people who now hold these jobs would join the ranks of the unemployed, and whether or not they were able to find new jobs would depend on the state of the regional and national economics at the time these layoffs occur.

It comes down to this. If the City has enough time and can identify better ways to generate revenue, eliminating the earnings tax could spur economic growth and increase tax revenues. If it cannot, it would require deep cuts that would severely damage the City's quality of life.

Officials from the **City of Wentzville** indicated since this petition pertains to earnings taxes and larger population cities, this would not have any effect on the City of Wentzville.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

**Metropolitan Community College** indicated this petition would have no direct fiscal impact on their organization.

**Marc Ellinger** provided information as a proponent of this initiative petition. He indicated the proposal will have an unknown impact on certain political subdivisions of Missouri, Missouri counties, and the state of Missouri.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Department of Transportation**, **Office of the State Treasurer**, **Boone County**, **Clay County**, **Cole County**, **Jackson County** **Legislators**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of Springfield**, the **City of Union**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, **St. Louis Community College**.

### **Fiscal Note Summary**

The proposal would eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.